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FAIR LENDING ENFORCEMENT AND
THE DATA ON THE 1992 HOME MORTGAGE
DISCLOSURE ACT [HMDA]

Y 4. B 22/3: S. HRC. 103-451

Fair Lending Enforcement and the Da...

HEARING

BEFORE THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

THE PROBLEM OF RACIAL DISCRIMINATION IN LENDING, HOW CUR-
RENT ENFORCEMENT OF FAIR LENDING PRACTICES MIGHT BE
STRENGTHENED AND TO IMPROVE THE COORDINATION BETWEEN
THE JUSTICE DEPARTMENT, HUD, FEDERAL FINANCIAL INSTITU-
TIONS AND REGULATORY AGENCIES

NOVEMBER 4, 1993

Printed for the use of the Committee on Banking, Housing, and Urban Affairs



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FAIR LENDING ENFORCEMENT AND THE DATA ON THE 1992 HOME MORTGAGE DISCLOSURE ACT [HMDA]

THURSDAY, NOVEMBER 4, 1993

**U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
*Washington, DC.***

The committee met at 10:08 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Donald W. Riegle, Jr. (chairman of the committee) presiding.

OPENING STATEMENT OF CHAIRMAN DONALD W. RIEGLE, JR.

The CHAIRMAN. The committee will come to order.

Let me welcome all those in attendance this morning. I want to particularly welcome at the outset our distinguished Attorney General of the United States who is with us, and our Secretary of the Department of Housing and Urban Affairs. After we have heard from them, we have other distinguished witnesses later in the morning which I'll introduce at that time.

We are meeting here today to consider the 1992 Home Mortgage Disclosure Act data, referred to as the HMDA data, and with that, the administration's fair lending enforcement efforts.

This hearing is part of a long, continuing effort by this committee to confront and finally eliminate the problem of racial discrimination in lending here in the United States.

During my tenure as chairman of the committee, we have given this issue an absolute top priority, equal to any other that we've been asked to confront because combating lending discrimination is really essential to making the whole concept of America work for all of our citizens.

In the past, the Home Mortgage Disclosure Act data has suggested a very stark disparity in lending between minority applicants and nonminority or white applicants. And unfortunately, the 1992 HMDA data, which we are going to review today, seems to indicate that that problem continues to persist.

The problem of lending discrimination is not only morally wrong, but it is illegal. It violates the laws of this land and therefore, must be stopped where it is found.

Redlining, housing discrimination, and all forms of lending discrimination were outlawed by the law of this country under the Fair Housing Act of 1968 and the Equal Credit Opportunity Act of 1974. And specific legislation to end the credit plight of low-income and minority persons did not end with those two landmark pieces of legislation.

This committee has passed additional legislation that supports and reinforces compliance with fair lending laws. Back in 1989, the committee expanded the Home Mortgage Disclosure Act to require banks and thrifts to disclose the race, sex, and census tract of every mortgage loan applicant so we would be in a position to track this problem to make sure it was being solved.

The Federal Reserve Bank of Boston released a study of the 1991 HMDA data which indicated that even after all legitimate credit considerations were taken into account, African-Americans and Hispanic applicants were still 60 percent more likely to be turned down than comparable white applicants with the same basic credit circumstances. After the analysis of this data, banking regulators and the industry acknowledged that mortgage lending discrimination is a serious problem that must be corrected.

More recently, the Association of Community Reform Now—known as ACORN—released a study of the 1992 aggregate reports which indicates that African-Americans and Hispanics are almost three times as likely to be rejected for mortgage loans than are white applicants.

In addition to the HMDA revisions, the committee also strengthened the Community Reinvestment Act by requiring public disclosure of both ratings and the data relied upon by examiners to arrive at these ratings.

The committee also strengthened fair lending enforcement by requiring Federal examiners to refer patterns of mortgage discrimination directly to the Department of Justice. In addition, lenders were required to provide applicants who pay for an appraisal with a copy of that appraisal upon request so lenders cannot use the excuse that the property is undervalued to disguise mortgage discrimination.

In the last Congress, the committee passed the landmark Government-Sponsored Enterprises legislation. This legislation requires Fannie Mae and Freddie Mac to achieve housing goals for low- and moderate-income families and housing located in inner cities. In addition, it strengthens their fair lending responsibilities.

Although this committee has made a sustained effort now over 4½ years, and even prior to that time, to strengthen the Federal law to encourage fair lending, the elimination of racial discrimination in lending will not occur without a tough regulatory enforcement effort to back up these laws.

So today, we will hear the status of this administration's enforcement efforts. We have, as I said before, a distinguished group of witnesses this morning, and I very much look forward to their testimony.

This is the first opportunity that our committee has had to have the distinguished Attorney General with us, and that is a very special pleasure, and we extend a very warm welcome.

I have been personally encouraged by the guarantee that you have given that the administration is going to vigorously enforce the Fair Lending and Equal Credit Opportunity laws.

Also, we are pleased and happy to have Secretary Cisneros with us here. I would like to say, at least in passing at the outset, how much I appreciate the fresh and vigorous leadership that you've

been bringing to the Department since you've assumed that responsibility.

On our second panel, we'll have representatives from the bank regulatory agencies, including Comptroller Ludwig. I want to particularly applaud him for his strong initiative in combating mortgage discrimination and for the pledge that he made here, and I quote:

To remove discrimination from our financial system, root and branch.

In addition, Federal Reserve Board Governor, Lawrence Lindsey, is here to announce the results of the 1992 HMDA data. Acting Director, Jonathan Fiechter, of the Office of Thrift Supervision and Acting Chairman, Andrew Hove, Jr., of the FDIC will be testifying regarding their current efforts to enforce the Fair Lending laws.

It's fair to say that lending discrimination is still occurring all across this country, and it's evidenced by the 1992 HMDA data, which indicates that high-income African-Americans and low-income white Americans have the same loan denial rates.

If you put people into the same economic categories, then there's a very sharp difference in terms of who's getting the loans, and who is being turned down.

So this is a problem that has to be addressed. It has to be solved. It's going to continue to be a top priority during my chairmanship and I hope that today's witnesses can help move us closer to a complete solution to this very serious national problem.

Let me now call on my Ranking Member, Senator D'Amato.

OPENING STATEMENT OF SENATOR ALFONSE M. D'AMATO

Senator D'AMATO. Thank you very much, Mr. Chairman.

Let me say, Mr. Chairman, there may be room for debate as to the merits of the various banking proposals, about whether or not there should be interstate banking or insurance and banking, or community development banks. But there's one point over which there is no debate—banks may not discriminate against minorities when making loans or providing services. That's not just my opinion; that's the law.

Discrimination based on race or sex, religion or national origin, or any other factor not relevant to the credit-granting process cannot be tolerated. The effect of such discrimination harms each and every one of us. Most directly, it hurts the individual or business that is denied credit needed for housing or growth. Indirectly, it hurts every other member of the community through increased costs for social programs and other remedial efforts to make up for this discrimination.

The latest Home Mortgage Disclosure Act data indicates that while there has been significant improvement in the number of home mortgage loans made to minority groups, there is still a large disparity in the rate of loan disapprovals between whites and other minorities. This disparity occurs even after applicants are matched for income.

For example, the loan disapproval rate for white applicants earning between 100 and 120 percent of median-income is 10.6 percent, while the disapproval rate for African-Americans in the same income group is 24.3 percent.

When data indicates African-American rejection rates are more than twice the rejection rates of white applicants of similar income, it has to raise significant questions regarding racial discrimination by the lending community. You just cannot have any sense of fairness or justice when people with the same incomes are being denied the same kind of loan. It's just wrong.

During this hearing, I would like to learn whether or not these concerns are also shared by the bank regulatory agencies and if so, what steps they're going to take to deal with this problem.

In addition, I'd like to know if changes in the Home Mortgage Disclosure Act are necessary to obtain additional information necessary to determine if discriminatory practices are occurring.

Mr. Chairman, as I stated earlier, we cannot tolerate discrimination in the credit-granting process. This hearing is an important step in determining the size and nature of this problem. If further remedial legislation is necessary, I'm sure that the committee will act expeditiously under your leadership. You can be sure that I will join you in promoting those efforts.

Thank you.

The CHAIRMAN. Thank you very much, Senator D'Amato.

I want to indicate that Senator Carol Moseley-Braun very much wants to be here this morning. Her mother is in a severe medical circumstance, so that is a matter that she is having to attend to. Senator Murray.

OPENING COMMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you, Mr. Chairman. I'll pass on an opening statement, other than just to say thank you for having this hearing on this extremely important issue. We're looking forward to hearing from the administration and welcome you this morning.

The CHAIRMAN. Thank you.

Senator Bond.

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Mr. Chairman, for calling this very timely and important hearing.

I believe that it's critical that the committee closely examine the 1992 data derived under the HMDA and understand what actions that Justice, HUD, and the various regulators of financial institutions are planning to take in response to this data on the issue of lending discrimination.

We need to determine what steps this committee and Congress need to take to ensure that the problem of racial discrimination in lending is eliminated. I am very much concerned that the 1992 HMDA data raises strong concerns about racial discrimination in lending and presents serious questions that must be answered.

I'm also concerned about our ability to draw broad conclusions about lending discrimination from the 1991 HMDA data. A number of commentators have raised some interesting points about the studies and I think we need to get answers to those as well.

I think that the data offers the financial regulatory agencies, in particular, a tool to assist them in identifying lending discrimination by specific institutions. We're most interested in hearing from the various witnesses and reviewing the testimony for the actions

that Justice, HUD, and the Federal financial institution agencies are taking and plan to take to address the issue of racial discrimination in lending.

I'm also interested in recommendations on what improvements, if any, the committee and Congress can make to HMDA data collection requirements to ensure that the data will be more useful to Congress and the public in looking for patterns of racial discrimination in lending. We need, however, to keep in mind that we must be careful if we add to HMDA data collection requirements. New requirements are likely to result in additional regulatory burdens and additional costs to financial institutions. Ultimately, we all know that these costs are passed on to and borne by borrowers.

I thank you, Mr. Chairman, for calling this important hearing.

The CHAIRMAN. Thank you very much, Senator Bond.

Senator Faircloth.

OPENING STATEMENT OF SENATOR LAUCH FAIRCLOTH

Senator FAIRCLOTH. Thank you, Mr. Chairman. I welcome the witnesses here this morning, and certainly, the issue that we're discussing is an important one.

Discrimination on the basis of race or national origin is certainly wrong. As much as we like to pretend that we ourselves are colorblind, we all know it's not completely true. But just as we all have been careful to overlook racial discrimination where it exists, we also have been careful about seeing it where it doesn't exist. There are many, many complex factors involved in home mortgage lending decisions.

In the 1950's, for those of you who can remember it, when the Soviet Union was marching around the world with communism, this country reached a position that we saw a communist behind every tree. They literally were everywhere. I hope that we don't jump into the same mindset and think that now there's a racist behind every tree, that everything that comes up for anybody that has a problem, racism seeming to have been pointed out lately as one of the principal problems that they face. I hope we don't reach that condition again.

I believe that the data shows that some minority groups are more likely to be turned down for loans than others. But I hope that we can look at all the factors involved before this administration goes out of its way to blame yet another business or industry for the ills of society.

As I've said a number of times, every time the Congress convenes and adjourns and has convened and adjourned for the last 30 years, they've gone home leaving it harder for business to exist. A few more rules, a few more regulations, a few more laws to make it more expensive, more difficult to operate.

This is another program that could wind up with another bureaucracy, any expense for all of the taxpayers of the Nation to have to pay. I hope that we'll assess the repercussions of what we do and study it carefully before we make a decision.

The CHAIRMAN. Thank you.

Senator Bennett.

Senator BENNETT. Thank you, Mr. Chairman. I'll listen to the witnesses.

The CHAIRMAN. Very good. Attorney General, we're very pleased to have you here. We're going to make your full statement a part of the record and we'd like you to proceed at this time.

**STATEMENT OF JANET RENO, ATTORNEY GENERAL, U.S.
DEPARTMENT OF JUSTICE, WASHINGTON, DC**

Attorney General RENO. Thank you very much, Mr. Chairman and Members of the committee.

I appreciate the opportunity to appear before you today to discuss what I think is one of the most important civil rights issues facing this country—racial and ethnic discrimination in the mortgage lending industry.

Before I go to the substance of my statement, Mr. Chairman, I'd just like to say something both personally and on behalf of the Department.

I'm, in a way, new to Washington, but I've watched you from a distance. I'm sorry that I won't have an opportunity to watch you more closely for much longer. I noted your retirement. As Chairman of the committee, you have been a leader in the effort to ensure that all Americans have an equal opportunity to obtain credit and to build better lives. And I want to extend my personal thanks for all that you have done in this extraordinary effort.

The CHAIRMAN. Thank you.

Attorney General RENO. I can think of nothing more harmful—I can probably think of other things more harmful to the fabric of our society, but this is one of the critical impacts on our society—than to be denied access to credit because of the color of one's skin.

Credit is the lifeblood by which hard-working men and women seek to build their futures and provide a better life for their children.

Home ownership is part of our cherished American dream, and to tolerate discrimination in housing in any form diminishes our potential to live and grow together as a Nation.

Lending discrimination is particularly harmful to our inner cities. The riots last year in Los Angeles, following the State court verdict in the Rodney King case, called attention to the devastating effect of diminished economic opportunity in minority neighborhoods.

This summer, the Washington Post ran a series of front-page articles showing that many prominent lending institutions in the Washington area do little business in black neighborhoods and have concentrated their mortgage lending in white areas.

These are beacons that remind us that the failure to provide equal credit opportunities will make even more difficult the enormous task we face in ridding our cities of crime, of establishing safe, livable, and economically dynamic neighborhoods.

Thus, I assure you that as Attorney General, I will work as hard as I can to see the Department of Justice fulfill its enforcement responsibility in the area of fair lending. As you know, we have weapons to wage this fight and you have provided them. Both the Fair Housing Act and the Equal Credit Opportunity Act authorize the Attorney General to bring pattern or practice lawsuits in Federal court to challenge discrimination and provide strong remedies.

In September, 1992, the Department of Justice used this authority to bring its first ever pattern or practice race discrimination lawsuit against a large mortgage lender. The suit against Decatur Federal Savings and Loan Association has been characterized by many as a wake-up call to the banking industry that mortgage lending discrimination will not be tolerated and that the Department of Justice has the will and investigative resources to take these cases to court.

The consent decree that was entered against the institution has been widely hailed for its innovative and forceful remedies. It included \$1 million in damages for 48 African-American mortgage applicants who, the Department alleged, were denied loans because of their race.

The Department learned two crucial lessons from that case. First, mortgage lending on the basis of race or national origin can exist in spite of the fact that management of the lending institution has adopted clear policies against such discrimination. Branching, marketing, advertising, hiring, appraising, underwriting, and compensation schemes for loan originators all figure in the determination of whether an institution is denying credit needs on the basis of race or national origin. Second, statistical methods can reveal whether institutions that reject minority applicants at higher rates than white applicants have discriminated on a prohibited basis.

Statistical analysis has been used by the Department to establish violations of civil rights laws in other fields for many years. While it can be expensive, and often require an analysis of a large number of files, its power of persuasion in the courtroom cannot be denied.

The Decatur lawsuit was the first in-depth analysis of a lending institution to determine whether its policies were racially discriminatory. Many institutions across the country, however, exhibit characteristics similar to those that attracted us to Decatur.

The Home Mortgage Disclosure Act statistics for many banks and thrifts continue to show significantly higher rejection rates for black and Hispanic mortgage applicants than white applicants. The HMDA data also show that many financial institutions make significantly fewer mortgage loans in predominantly minority neighborhoods than white neighborhoods. These statistics are of great concern to us and I am sure to the other agencies with enforcement responsibilities in this area.

For years, the banking community has contended that the higher rejection rates for minority applicants can be explained by differences in credit-worthiness, and that lower loan origination rates in minority neighborhoods are also attributable to a reduced demand for mortgage loans in those neighborhoods.

Our lawsuit against Decatur has sharply called into question the industry's defense of its record, as has the study released by the Federal Reserve Bank of Boston of 131 banks in the Boston area. That study showed that black and Hispanic home mortgage applicants were still 56 percent more likely to be denied a loan than similarly situated white applicants.

In the wake of the Decatur case and the Boston study, the emphasis must be on bold and vigorous enforcement.

If we are to mount a successful program to end discrimination in lending, all of the Federal agencies with enforcement responsibilities in this area must work together. Secretary Cisneros and I are very pleased to announce today that HUD and the Department of Justice have reached an agreement to pursue joint investigations of lending institutions. We will focus particularly, but not exclusively, on independent mortgage companies, which are not regulated directly by any of the Federal financial regulatory agencies.

Secretary Cisneros and I have discussed this agreement personally and I am confident that by sharing knowledge, expertise, and resources, we will produce unprecedented results.

The Comptroller of the Currency, Eugene Ludwig, in the short time that he has been in this position, has become a very strong voice within the administration for improvement in the way financial regulatory agencies approach their fair lending compliance investigations.

This effort cannot succeed without the full participation and assistance of the Federal Reserve Board and the other regulatory agencies with their knowledge of the lending industry and corps of trained economists and examiners.

Beginning in November 1991, the Department of Justice convened a series of meetings with representatives of HUD, the Federal Reserve Board, the OCC, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Association, and the Federal Trade Commission.

The Department shared in detail its approach to developing a pattern or practice discrimination lawsuit against a large mortgage lender like Decatur. The Department believed that joint investigations drawing on the strengths and resources of the Department and the regulatory agencies posed substantial advantages in this area. The regulators have knowledge of the workings of the institutions they regulate and access to their records. The Department of Justice has litigators who are expert in uncovering and proving discrimination.

The OCC indicated a preference to which the Department of Justice has acceded to fulfill their investigative responsibilities through their own reviews of lending institutions, with the understanding that all patterns or practices of discriminatory conduct would be referred to the Department of Justice for appropriate action.

The other regulatory agencies have not responded to our suggestion that we conduct joint investigations.

Eugene Ludwig has taken the lead among the regulators in emphasizing the need for more thorough fair lending examination procedures. OCC's new procedures clearly stress the need for more thorough analysis than had been required in the past. Our remaining suggestions center on the need to examine the marketing and branching activities of institutions and to perform statistical analysis of a large number of loan files.

The quality of referrals, which so far has been good, will be the best test of the new examination techniques. The Comptroller has expressed a willingness to employ additional statistical and inves-

tigative analysis if our initial review indicates that more work needs to be done to support a legal challenge.

This commitment reflects a good level of cooperation between our agencies. We will continue to work with other regulatory agencies to develop a better enforcement effort. The Department of Justice will also pursue our independent authority under the Fair Housing Act and the Equal Credit Opportunity Act to initiate pattern or practice lending discrimination investigations as we did in the case of Decatur Federal.

We have recently initiated two race discrimination investigations of large lenders that, like Decatur, operate in metropolitan areas with significant minority populations.

We also have underway several preliminary investigations of lenders in other large metropolitan areas.

Finally, we are looking into several mortgage lenders that operate in rural areas with significant minority populations.

We have found that lending institutions generally condemn discrimination on the basis of race or national origin and until recently, were frequently unaware of how unlawful practices can affect their operations. We have therefore devoted substantial resources to educating lending institutions in how to recognize and eliminate discriminatory practices.

We want to work with business. We want to let them know that we're there to advise on what we have found in other situations such as Decatur, what we can do to help, and we want to do everything we can to let people know what the problem is.

We encourage the industry to assess itself and our litigation practices will reward those who do so. But for those institutions who do not heed the message, we will use our full authority properly under the law.

I have concluded that the Department must devote increased resources to this effort. I have therefore decided to increase the staff of the housing and civil enforcement section of the Civil Rights Division by a total of 18 new positions, which will come from reallocations from our 1994 budget.

I am also asking that our United States attorneys make their staffs available to handle some of the Fair Housing Act cases in their jurisdictions and we have worked closely with the Attorney General's advisory committee in this effort.

This will allow the housing section to devote more of its resources to lending discrimination cases and to pursue important new initiatives in the areas of testing and insurance redlining. These increased resources, combined with our cooperative effort with HUD, will enable us to enforce the laws against discrimination in lending with unprecedented vigor.

In closing, I am deeply committed to eliminating considerations of race or national origin from home mortgage lending. This effort has proven and will continue to be difficult, but the struggle can be won with the cooperation of all the agencies that regulate this area.

We are eager to work with HUD and the regulatory agencies to implement a concerted, unflinching, and effective enforcement effort.

That concludes my statement, Mr. Chairman, and I would be happy to answer any questions.

The CHAIRMAN. Thank you very much. Let me just say, before we move on, how much I appreciate the strength and focus of your statement. I think it's a very powerful signal that goes out across the country today, especially to citizens who have had to struggle against lending discrimination, to know that the Office of the Attorney General is on their side, enforcing the law, and really opening up the promise of the country to everyone equally.

That's the great hope of America that we've been sailing toward over some 300 years of national history. We've got some distance to go. But by your announcement today of increasing the staff resources, the other initiatives that are under way, and the coordinated effort, I think that this is a beacon light to people out there. I think it brings hope to people who want to buy homes, to move ahead, to make good things happen in their lives for their families, and to know that they are going to have an equal chance in the credit system of our country.

Let me, while I've interrupted, before calling on Secretary Cisneros, say that Senator Kerry and Senator Boxer have joined us. Do you have a brief opening comment, Senator Kerry?

OPENING COMMENTS OF SENATOR JOHN F. KERRY

Senator KERRY. I don't have an opening statement, Mr. Chairman. I'd just like to comment very quickly, if I may, though.

I followed along and read the statement as the Attorney General read it. I think this is a very powerful statement. I really appreciate what you have set forth in here. I think your declaration as to the impact on communities is a very important understanding and statement for the Attorney General of the country to make, number one.

No. 2, I think the programs you have outlined, but also your description of the insidious nonintended way this creeps in, is a very astute and important observation.

And last, I think your articulation of the desire to avoid litigation, but to work with institutions in an effort to overcome that in a voluntary way by pointing out some of the ways it could creep in, even though the policy of the institution is not to engage in this, is a very sensitive and important way to approach it.

So I congratulate you on this, as the Chairman has. It's a very sound approach and a very important one.

The CHAIRMAN. Thank you.
Senator Boxer.

OPENING COMMENT OF SENATOR BARBARA BOXER

Senator BOXER. Mr. Chairman, I have no opening statement. I would add my voice to yours and that of Senator Kerry.

The CHAIRMAN. Very good. Thank you.

Secretary Cisneros, we're very pleased to have you and we'd like your statement at this time.

STATEMENT OF HENRY G. CISNEROS, SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, WASHINGTON, DC

Secretary CISNEROS. Thank you, Mr. Chairman, for giving me the opportunity to join the Attorney General and the other witnesses that will be before you today on this matter of such importance as ending discrimination in our Nation's housing finance system. You've been a great champion of fair lending, Senator, and your record of accomplishment in promoting strong legislation for community reinvestment is one of which you should be justifiably proud.

I know that your Senate office was once occupied by Senator Robert Kennedy. Whoever next occupies that space, Senator, will have not one, but two, grand traditions to live up to, two great Senators who have fought hard for civil rights, equal opportunity, and who have been strong voices for urban America—Robert Kennedy and Don Riegle.

The CHAIRMAN. Thank you very much.

Secretary CISNEROS. The Members of this committee understand well the close connection between banking, housing, and urban affairs as the very name of the committee so clearly states. These three sets of issues are completely interwoven.

Your initiatives for building better homes and communities will surely succeed if you can truly put an end to the cancer of discrimination and redlining. In making this dramatic change, we'll also be building a more fair and a more prosperous America.

Promoting residential choice, fair housing, and equal opportunity in lending and insurance is one of our top priorities at HUD. We know that we cannot accomplish any of our other goals without it.

We'll be unable to greatly expand affordable housing production and home ownership opportunities or to strengthen communities until we have a financial system that treats all borrowers and communities fairly.

Mortgage lending discrimination on the basis of race and gender is both illegal and immoral. In today's world, the availability of credit is a necessity of life, just as surely as a roof over one's head. It directly affects where people live and work, their opportunities for a decent livelihood, and where their children go to school. To be denied credit can seriously disrupt the health, economic vitality, and very cohesion of families.

Mortgage discrimination also hurts our economy. Federal Reserve Board Chairman, Alan Greenspan, recently observed that if we could reduce discrimination in lending, it would increase good profitable business for lenders, and at the same time, help stimulate the economy through more home sales, housing construction, and renovation.

Today, the Federal Reserve Board officially releases the 1992 data compiled through the Home Mortgage Disclosure Act. Governor Lindsey will present key findings here this morning and we will leave it to him to give the detailed numbers. The basic message, however, is a disappointing one. It tells us that discrimination is still alive and well in America.

To cite just one statistic, denial rates for conventional home purchase mortgages are much higher for African-Americans and His-

panic Americans than for whites, 36 percent denial rates for African-Americans, 27 percent denial rates for Hispanic Americans, and 16 percent denial rates for white Americans. We cannot allow these disparities to continue for any group of Americans.

The message on fair lending from President Clinton and the administration is simple and clear—we're changing the way we do business and we mean business.

Today, the Attorney General has announced a series of new fair lending law enforcement agreements between HUD and the Justice Department. Further, the Attorney General and I will meet regularly with the Comptroller of the Currency and other Federal regulators to strengthen the administration's focus on enforcing fair lending home mortgage disclosure and community reinvestment laws.

I'd like to briefly set forth three areas of HUD activity. The first is action on the Home Mortgage Disclosure Act. The second, our new fair lending initiatives. And the third, our cooperation with other Federal agencies.

First, action on the Home Mortgage Disclosure Act.

Several principles govern HUD's implementation of the Home Mortgage Disclosure Act. The first is enforcement.

Our enforcement responsibility is to make sure that all HUD-approved independent mortgage companies report the required HMDA data in a timely and accurate way. Congress has given us a number of tools to ensure compliance principally through the Mortgagee Review Board chaired by FHA commissioner, Nic Retsinas.

In 1993, the number of HMDA compliance cases before the Mortgagee Review Board more than doubled. HUD's enforcement included the following actions—five lenders were required to pay civil money penalties totaling \$79,000. Sixty lenders received letters of reprimand for noncompliance with HMDA requirements. In 21 cases, HUD entered into settlement agreements with lenders which required them to take certain actions to become in compliance. For those lenders, a second HMDA violation would bring more severe sanctions, including civil money penalties.

Under our tenure at HUD, the message to mortgage lenders is clear—we expect timely, accurate, and responsible compliance with HMDA requirements and we will take necessary actions to enforce the law.

The second area is accessibility.

Our HMDA data, to be truly effective, needs to be made accessible to fair housing organizations, community groups, financial institutions, foundations, and universities. We call this "Democratizing the Data."

HUD is taking an active role in consulting with these groups to explore ways that HMDA data can be more easily used and widely circulated. We're working with the Federal Reserve Board and other members of the Federal financial institutions examination council to substantially increase user-friendly access to HMDA data.

And the final piece of our involvement with HMDA data is innovation.

Once the data is accessible, it can be used creatively to help Government, business, nonprofits, and community residents identify problems and analyze possible solutions, such as targeting areas with special financing needs or investment opportunities. This type of data will also be helpful to the financial institutions themselves. Lenders can improve their own performance by identifying underserved areas and new market opportunities by proper analysis of the HMDA data.

The second subject area, then, is our new fair lending initiatives.

HUD's role in investigating mortgage lending discrimination and enforcing fair lending laws extends beyond HMDA. Under the leadership of Roberta Achtenberg, assistant secretary for fair housing and equal opportunity, we've established the following priorities for the coming year.

We will strengthen and expand investigation and enforcement of fair lending complaints. The number of fair housing cases at HUD is rapidly rising. HUD has now completed more than 900 of these cases by requiring lenders to pay a total of over \$1.4 million as compensation to loan applicants who were discriminated against.

We will issue regulations that define violations. For the first time since congressional passage of the fair housing laws in 1968, HUD will issue regulations which will clarify practices which are violations of the law in areas of mortgage lending and property insurance.

We will publish regulations governing the fair housing requirements in the programs of Fannie Mae and Freddie Mac. These regulations will have a significant impact on the availability of mortgage credit.

We will make resources under the fair housing initiatives program available to private groups who conduct testing of lending discrimination.

We will promote voluntary compliance with the lending community at the national level. We recognize that our own limited resources for law enforcement are simply not enough and that eliminating discrimination in home mortgage also requires educating and working with lenders.

We've met with the leadership of the American Bankers Association and the Mortgage Bankers Association to discuss cooperative efforts. We've also held several meetings with Washington area lenders. These lenders were troubled by a series of articles in the Washington Post indicating that they were not adequately serving the minority community.

Our meetings are to convince them to increase their minority outreach and fair lending programs. We've begun to build on that Washington experience by having local HUD offices convene similar meetings of bankers across the country to share what are called best practices, things that work that they've discovered can be done.

This doesn't require headlines or punitive measures. It just requires bringing the people together in a spirit of good faith to discuss with each other the things that have worked and frankly, what some of them don't know works.

The third and final area that I'd like to cover, having discussed the HMDA data and our initiatives for the year, is our cooperation with other Federal agencies.

HUD's activities to promote fair lending cannot succeed except in cooperation with other Federal agencies. It's time that we work together on these issues. We need to cooperate and assist each other, just as we must work with State and local governments and with community residents.

Attorney General Reno, Comptroller of the Currency Ludwig, and other Federal financial regulators and I will meet periodically to make sure our cooperation leads to results.

HUD and the OCC have been working together since last spring and, as the Attorney General has indicated, HUD and the Justice Department have begun an exciting partnership.

HUD and the Department of Justice have entered into a new agreement to work together to eliminate unlawful discrimination from the mortgage lending industry. We will work together to eliminate duplication in testing and investigations, in some cases, through joint efforts, and in all cases, through coordination and sharing of information.

Our joint investigation and enforcement efforts will mainly focus on independent mortgage companies under HUD's jurisdiction that are not covered by other Federal financial regulators.

HUD's agreement with the Justice Department builds upon earlier relations that we have formed with the Office of the Comptroller of the Currency, ably led by Eugene Ludwig. HUD and the OCC started working together last spring, cosponsoring a large conference on research and enforcement in mortgage lending discrimination.

Following that successful conference, HUD and OCC formed a working group to strengthen the Federal Government's efforts to counter discrimination in mortgage lending. As a result of the working group's efforts, OCC has agreed to begin testing next spring to determine how it can meet their enforcement needs. HUD and OCC have also developed a draft definition of lending discrimination and are working with other Federal financial agencies to strengthen its provisions.

Let me close my remarks, Mr. Chairman, Members of the committee, simply by saying once again, I am convinced that what we have here is an opportunity, not only to right a wrong, but to fix something that is seriously broken in our financial and housing system that is unfair, and to do something that's immensely right for the country.

There is a pent-up demand of opportunity in housing, a pent-up demand of loans that can be made, prosperity that can be developed, and a general rise for everyone that can occur from this if we do our jobs in this area well.

Thank you for your leadership and support in this area. We in the executive must do our part.

THE CHAIRMAN. Thank you very much. Let me begin with your final comment there. I think that, in addition to really making this country work fairly and properly for everybody, there's tremendous economic potential here.

I think, in effect, what you've got is economic denial that gets embedded in the system, and we're seeing it, even on basic things like home mortgages. If African-American families or Hispanic American families are finding that they can't participate and don't have the chance to come forward like everybody else, it really has a crippling effect. In fact, I would say that it has a disabling effect on the country as a whole in terms of its economic promise and potential.

Although I also think it has to be said that some of the discrimination can be so subtle that as it goes on in an institutional sense, a person may be discriminated against and not even know it. They may be turned down, in a fashion, when they should be being accepted for credit and may never understand the fact that, we have to penetrate these patterns in the way we've talked about today, in order to get at these very wide disparities that are showing up in the data.

Let me ask you, Attorney General. In your testimony, you stated that the Justice Department has recently initiated two race discrimination lawsuits against large lenders.

First, did those come as a result of an agency referral or is this something that the Justice Department picked up on its own?

Attorney General RENO. We want our enforcement program to reach the entire country and thus, geographic diversity is one factor that we consider. We look to metropolitan areas with significant minority populations.

HMDA data provide valuable targeting information, and we have also gathered other available information, before selecting the institutions to investigate. For example, we might review the regulatory agency compliance files for certain institutions and interview persons who might be knowledgeable about lending practices of lending institutions in particular communities.

I might add that there is no magic to selecting lending institutions for investigations. Many institutions in the country report HMDA statistics that would justify further investigation. Our resource limitations obviously preclude us from investigating all worthy targets at this point, and that's the reason I think it's so important to do everything we can both to educate to secure compliance, making sure that people understand the subtle nuances that may obscure disparate treatment for those otherwise well-intended, and then target those who would continue to ignore these warnings.

The CHAIRMAN. Now, without getting into the cases, my understanding is that the Department has initiated two race discrimination lawsuits against large lenders. I'm wondering, was that the result of—

Attorney General RENO. No. I've just described to you the process we went through in selecting.

The CHAIRMAN. I see. So that did not come from an agency, per se, recommendation.

Can you tell us anything about the status of those lawsuits now?

Attorney General RENO. We have underway—I can tell you this. We have underway two pattern of practice racial discrimination investigations of lenders that were referred to us by regulatory agencies, but we've not instituted lawsuits yet on those.

The CHAIRMAN. I see. But that might well be the outcome. You can't prejudge that as you sit here now.

Attorney General RENO. I can't prejudge it. I want to, in light of comments, we want to do this fairly, as vigorously as possible, and I don't want to prejudge. I want to look at the facts and make the best, most thorough, professional investigation possible.

The CHAIRMAN. All right. Now with respect to the indication today that the Justice Department and HUD have agreed to conduct joint investigations that will focus primarily on independent mortgage companies, have you decided yet how the Departments will determine which companies will be investigated there?

Attorney General RENO. I would defer to the Secretary because I have not gotten into the details of how we will do it.

The CHAIRMAN. All right. Mr. Secretary?

Secretary CISNEROS. Well, Senator, we regularly receive complaints, receive large numbers of complaints, something like 900 so far this year of various kinds. It would be from that body of complaints that repetitive instances would show themselves and we would simply identify which are the likeliest candidates because of the repetitive nature of the complaints made against them, the likely effect that they would have, and then work together with the Justice Department to identify individual companies and proceed.

The CHAIRMAN. Let me ask you this. Reference was made earlier to this June 1993, Washington Post series entitled, "A Pattern of Bias in Mortgage Loans." That dealt with mortgage discrimination right here in the Washington metropolitan area.

I understand that HUD met with the Washington lenders to discuss the accusations and possible solutions. Can you tell me something about that, where that stands?

Secretary CISNEROS. That's been a very interesting series of meetings. We now have had two meetings, Senator, with the lenders from the DC area.

Our thought in assembling them was not to begin in an accusatory way, but to explore what things could be done. There are some bankers that have particularly strong records and the thought was that they might be able to share their views with others.

We've developed out of those meetings a series of suggested fair lending activities, a kind of best-practices list that could help other banks become more affirmative. For example, banks could institute a second review system for denied loans. Before a loan is rejected completely, it would get a second review beyond the person who may be sitting at the desk meeting the public, so that a higher level person can have a review before there is a denial.

Second, a strong emphasis upon employee training, bringing people up to date with what is the law and what they really should examine as the principal factors.

Third, the use of flexible underwriting standards that take into account the peculiarities of a person's needs. For example, I'm told that in some institutions, if a white person comes forward and their loan would be rejected, except for one element that is missing, that it has not been unusual for a person to say, this is a letter that you can get from your landlord that says that you did miss a month's payment, but if you submit it and it says later that your

record is overall good, we'll take that into account and we can make you the loan.

An African-American might never get that same extra counseling. So some flexibility in the way underwriting standards are interpreted and the way rules and regulations are carried out is needed. In other words, just the extra bit of assistance when someone wants.

Outreach programs is another thing that banks can do to reach minority applicants. In other words, community meetings and literally going to where people are with the banking product.

And finally, working with counseling agencies to help qualify purchasers. We have found that probably the single most important thing we can do is to set up counseling organizations and entities. The most obvious is working in Philadelphia today where a community organization named ACORN has set up something called a Delaware Valley lending cooperative, where they're doing counseling for people who otherwise would have been rejected outright because of the way that their records have been kept, and so forth. But they're bankable with some help.

So these are all things that banking institutions can do that we can share with each other and I think that this Washington experience is going to be very positive.

That was a very sad article that ran, and I apologize for going on so long. I don't know whether you remember the story in the article about a bank who had branches in Bethesda that had paneled walls, chandeliered ceilings, nice carpets, fern plants, adequate tellers to meet the public, desks out where people could meet them, and so forth. And then, in a Southeast Washington branch of the same bank, that had industrial-quality carpets and an insufficient number of people and little of the amenities that would make it nice.

And if you read the article, when the chairman of the company was asked about this discrepancy, he said, well, we found that we have to make people feel at home. In Southeast Washington, they might be intimidated if a facility was too nice, that they wouldn't like it.

Well, it just demonstrates a tremendous lack of understanding and insensitivity. These kinds of subjects, which don't necessarily result in policy changes, are being discussed in this working group.

That bank indicates that it was misquoted in that article, but the reality is that you can go to these two different branches and see those vast disparities and it doesn't take a PhD to see the differences.

So I think some good things are going to come from this. We're now talking about having this replicated in our 10 regions by having our Assistant Secretary go and conduct—she's been conducting the meetings, Roberta Achtenberg—and conduct similar sessions in the other regions. These sessions are not high profile, not public, not punitive, not designed to beat people over the head, just to talk about how to work our way through this.

The CHAIRMAN. Let me ask you one other thing, just quickly. And that is this—in 1992, HUD awarded \$1 million in fair housing initiative program funds to the National Fair Housing Alliance to conduct preapplication testing.

Secretary CISNEROS. Correct.

The CHAIRMAN. It's my understanding that the results of the testing are supposed to be utilized by the new Fair Lending Office sometime in mid-1994.

Secretary CISNEROS. Correct.

The CHAIRMAN. Do we have any preliminary results? And do we have any reason to believe, based on what we've already done, that testing does or doesn't help us eliminate lending discrimination here?

Secretary CISNEROS. We don't have preliminary reports from this particular analysis because the findings are so complex. The final report will be available in the spring of 1994. But we have ample experience with the effectiveness of testing.

I served on the Federal Reserve Bank Dallas branch board and bankers don't like the testing procedure because it is so effective at finding out where discrimination exists.

They really don't like it. They just say that something is wrong with a testing system of this nature. But the truth of the matter is it is devastatingly effective in finding discriminatory practices.

The CHAIRMAN. I want to call on Senator D'Amato.

Senator Roth has joined us.

Senator Roth, before Senator D'Amato asks his questions, did you have a brief opening comment you wanted to make?

OPENING COMMENT OF SENATOR WILLIAM V. ROTH, JR.

Senator ROTH. No, not at this time.

The CHAIRMAN. Very good.

Senator D'Amato.

Senator D'AMATO. Mr. Chairman, I'm going to pass at this point, except I will say that I'm very encouraged by the Secretary's low profile but effective approach at encouraging a sensitivity with the lending institutions. I think that that can go a long, long way in terms of helping those in the minority community get access and learn how to work with the system, so to speak, and get that counseling available.

Later on, I'm going to ask a question. It may fly in the face of why we have an apparent 2:1 ratio turn-down as it relates to income.

It seems to me that one of the things the HMDA data does not disclose is whether there are other outstanding loans that people have, and if they're not getting sufficient data, then it's hard to ascertain if that's a legitimate ratio.

It's not fair to say that institutions are turning down people with the same income levels if other information is needed to determine whether or not they're really in the same economic condition.

Two people apply. They both have \$100,000 a year incomes. They apply for a mortgage of \$200,000. But if one has a number of loans, let's say \$50,000 worth of loans outstanding and the other doesn't, and the bank approves one application and turns down the other, that's not necessarily discrimination. So I think that the HMDA information may need a little bit more.

I will say this: I'm concerned with the Attorney General's report that she's only getting the kind of cooperation deemed sufficient

from Mr. Ludwig's office, the OCC, and it would seem that the other three regulatory agencies are not responding.

I wonder why they're not responding. Maybe the Attorney General can send them some letters putting them to the task. You know, people generally respond to an Attorney General's letter.

Senator BENNETT. I've never had one.

Senator D'AMATO. I've had a call or two.

Attorney General RENO. Senator, one of the things that I want to do, the fault may be as much ours as theirs. I want to try to do everything that I can, starting afresh, to make sure that we work together as closely as possible to eliminate the duplication and the fragmentation and to make sure that we're all going in the same direction.

Senator D'AMATO. Good. And that's very fair of you to put it in that way.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bond.

Senator BOND. Thank you, Mr. Chairman.

I want to commend both the witnesses for their very strong statements. I think that you have outlined a plan of action that really can make a difference. I would just address a couple brief questions to Secretary Cisneros.

Do you have adequate staffing to proceed on these actions to address lending discrimination? How much staff have you committed to these actions at this time? What kind of resources do you need? Is this something that you are handling or are you going to need some additional authority, resources, or staff?

Secretary CISNEROS. Senator, as you know, the staffing issue at HUD is problematic on many fronts. But we think we've found a way to solve some of our staffing problems. It is buried in the national performance review, which required, and we conceded this, that we eliminate the functions, not the people or positions, but the functions of our middle level of review, which is the regional level. We just decided that this is something that we needed to do and we would just do it immediately.

So we are involved in a process now of looking at how we can take people who have been doing regional jobs of oversight, passing paperwork, and essentially bureaucratic work, and put them in strengthened field offices, including the fair housing area. It will require some retraining. It will require some matching of people to tasks and so forth, but that's the job. And until we're through with that, I won't know just what continuing shortfall we may have, but we think it's a way to get people on tasks.

Senator BOND. So you would be using regional offices?

Secretary CISNEROS. Personnel.

Senator BOND. Personnel would be there?

Secretary CISNEROS. Yes.

Senator BOND. I think there are certain obvious issues for anybody who has worked with HUD. Number one, there can be a tremendous amount of regulatory "gotcha."

Secretary CISNEROS. Right.

Senator BOND. We have experienced some unbelievable hold-ups in certain HUD areas in the past. You and your staff have been

very helpful in seeing at least one issue resolved in recent weeks. I thank you.

I think there must be something in the paint or in the air handling systems that causes these unnecessary hold-ups. Mr. Duvernay has been very helpful in getting us over some of those hurdles. There's a regulatory Catch-22 function that ought to be dropped from HUD and from how HUD handles local issues.

On the other hand, there have been a number of instances where HUD regional and field offices have been very effective. I guess I would just say I wish you well in weeding out the functions that are helpful from those that have been more of an unnecessary headache to the local officials who have to work with HUD.

Secretary CISNEROS. Senator, everything I know about organization tells me that the closer we put people to meeting the public and the problems, the better off we'll be. So eliminating a regional level and putting people where they meet the public in the field offices ought to be a good thing in and of itself.

Now when we give those people power to make decisions at the local level and to make some calls, we'll have to trust them and they'll make some mistakes. But when we give people the power to do that, eliminating long hierarchies and time and delay, we think that's going to be a positive thing.

It not only ends up being positive in the terms that you've described, but we also end up with more people on the key tasks instead of people in the hierarchy re-reviewing things.

Senator BOND. I think you hit the nail on the head. That's the management challenge, to make sure that they understand that their mission is to get things done, not to find out how many ways you can trip up people over paperwork. Again, with the problem in Kansas City, we had unbelievable headaches and we appreciate very much the efforts from you and Mr. Duvernay's office to cut through that and get the job done.

Secretary CISNEROS. If I may be direct, I would also say we need your help, all of you, all of the Senators, because you will get calls from people who say that they don't like the fact that they're going to have to move from Kansas City to Omaha to man the field office there. And we'll need your forbearance when that time comes because we're trying to make those kinds of strengthening of the field, at the expense of the regional hierarchy that exists today.

Senator BOND. Don't send them all to Omaha. There are places that we can use them.

Thank you, Mr. Chairman.

The CHAIRMAN. Or Michigan, on the way to Missouri. I'm sure California could use them also.

Senator Boxer.

Senator BOXER. Thank you very much. I have a question for the Attorney General.

Attorney General Reno, I understand that only one case has been referred to the Justice Department in the past 18 years by the Federal banking regulators regarding lending discrimination. How aggressively should the Justice Department encourage cooperation from the various bank regulators in trying to bring action against those who practice discrimination?

Attorney General RENO. Senators, as I indicated, to make this work right, we need the expertise of the banking regulators. From my experience, they need our expertise on what's necessary to prove the case in court.

Any time you get the regulators together with the enforcement authorities, I think you have a better opportunity for a successful result in terms of seeing that justice is done, in making sure that we don't play "getcha" with somebody and that we conduct an investigation promptly, thoroughly, and without a lot of duplication.

So I think this is what we must encourage, and as I indicated to Senator D'Amato, we need to make sure that we've done everything we can to work with the Federal regulatory agencies to address this issue in an open and very professional relationship with them and I'm dedicated to trying to do that.

Senator BOXER. So you don't think that this sorry record will repeat itself, then.

Attorney General RENO. I'm going to try my level best to make sure that it doesn't and that the Department of Justice does everything that it can. But that we also reach out to the regulatory agencies, letting them know that we're not trying to take control, but that we're trying to work together toward an appropriate end, and that if the regulatory agencies—I think we can work together with what HUD has done in terms of education, our office, the Office of the Comptroller of the Currency, if we can continue to build on that, and then demonstrate that what we're really after are those people that would thumb their nose at the law after we've tried to educate and seek compliance in a reasonable way. I think everybody will understand we're on the same target.

Senator BOXER. Well, Mr. Chairman, I think this is excellent news. I have to say that in my State, this is a huge, huge problem. Grassroots people of every race, color, and religion have come to me and said, we really need to move aggressively on this.

When we look at the numbers of the people who are being denied, this isn't just a coincidence. This is a real serious problem. And as was stated by several people here today, it's not what America is supposed to be. We're supposed to all have our fair and equal chance. We're not guaranteed anything but a fair and equal chance.

So I couldn't be more pleased to see the two of you here and I have great confidence that we're going to see some action. I would love to be of assistance in any way that I can.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Boxer.

Senator Faircloth.

Senator FAIRCLOTH. Thank you, Mr. Chairman.

Needless to say, I have a little bit of fear that we're overreacting here, but I'm very sensitive to the problem. When Mr. Cisneros starts talking about the rug on the floor and the potted plants, I've been doing business with a bank for 47 years, and I don't think I've ever seen a rug on the floor. So that gets to grinding it to a pretty fine minutia.

I had a question I'd like to address to Attorney General Reno, if I may.

There's been a considerable conversation, talk, in and out of the papers about the White Water development and the involvement of the President and Mrs. Clinton in that development. I understand your Department has been doing some investigating on it. There's certainly been new revelations this morning in The Washington Times.

Will your Department or the Department of Justice undertake an objective investigation with an attorney, an independent prosecutor or an attorney independent of the First Family?

I think as long as this has been knocking around, it's time that we take a hard look at it and put it to rest.

Attorney General RENO. Senator, I testified before Senator Glenn's committee on the necessity for reenactment of the independent counsel statute. I support that in every way possible to avoid any appearance of conflict. But as long as the law exists as it is, in terms of independent counsel, anybody that I would appoint does not have independence of me.

I have an obligation to make sure that any investigation in the Department, no matter who it involves, is done in an objective manner and that it is done based on the evidence and the law, and I'm dedicated to doing my level best to achieve that.

Senator FAIRCLOTH. Ms. Reno, you do have the authority to appoint an independent counsel. Certainly, you appointed him, so, in essence, there certainly would be some tie. But you could go completely outside of the Department and with the great amount of wisdom and discretion that I'm sure you would apply to it, select someone that the general public would see as independent. Will you do that?

Attorney General RENO. I will take the wisdom and good judgment that you consider that I have and make sure that the very best people, either within or without the Department, who have no political connection whatsoever, conduct the matter.

Senator FAIRCLOTH. Well, is there anybody within the Department that doesn't have a political connection?

Attorney General RENO. Yes, sir. There are some people who have served the people of the United States for a very long time, who are career appointees who have served Republicans and Democrats.

One of the things that I want to do while I'm Attorney General is to let the Senate of the United States know, let the people of the United States know, what terribly dedicated men and women work for them day in and day out, administration through administration, seeking nothing but justice.

Senator FAIRCLOTH. Well, I thank you and I know you will use the wisdom. No question of integrity. But I think that some Members of the Congress, and certainly the public generally, would feel better if you would select an outstanding person outside of the Department and get on with the investigation.

It would look better. Thank you.

Attorney General RENO. Well, I would agree to that, except every time I appointed somebody in the past, when I worked as a prosecutor in Dade County, they'd say, well, she appointed them, so their conflicts are the same. I'd rather the buck stopped with me if it's going to stop with me, ultimately.

Senator FAIRCLOTH. All right.

The CHAIRMAN. Let me just say before going to Senator Bennett that I think most of us here have great confidence with the buck stopping with you. I know I do, and I think that's a widely held view.

Senator Bennett.

OPENING STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you, Mr. Chairman.

Lest there be any misunderstanding about the questions I'm going to ask, I'll make the general statement first that I'm in no way trying to indicate any lack of commitment to this problem or its solution.

I really do want to see to it that it gets solved. And will address the questions more in an effort to understand the methodology than in any attempt to blunt the seriousness of the issue.

That having been said, I find a few comments in both your testimonies that, to me, are at least a little confusing, if not troubling.

Attorney General Reno, on page 6 of your prepared testimony, there is a comment that I find troubling—"Most lenders will have a ready explanation for every individual loan they make and reject. A statistical analysis of a large number of loan files is often the only way to establish whether the lender has engaged in a pattern or practice of disparate treatment."

I hope you can see how chilling that might be to a loan officer who's saying, I'm following all the rules. I'm doing absolutely everything right and can prove it if I'm challenged on this.

Is there some procedure that I should be following, other than simple observance of the rules, in order to produce some statistical result?

The question then is, as you look at the data that you've cited here, is this the first time we've received any of this data or is there a historic line that can be drawn? And if there is a historic line, is it going up or is it going down?

Attorney General RENO. I can't answer the question as to whether it's going up or down. I don't think that we have had, and I would defer to others who are more expert in the history of the matter with respect to the information that has been available.

But I think one of the reasons for the HMDA data is that it is beginning to show a pattern or practice.

As you will note from my testimony, Senator, what struck us and what has struck the people who have been involved in these investigations, is that so many well-meaning people, the bank teller that you refer to who thinks he's following the regulations, who's doing everything he thinks he should be doing, when confronted with the pattern, says, oh, my goodness, I never thought that I discriminated.

I've seen it in other situations. That's the reason it is so important both the Secretary and I and the Comptroller of the Currency are trying to address it from the point of view of education.

And I am told by people in our Civil Rights Division that the industry has come to us saying we would like to know more. Representatives of institutions have gone out and said, look, we checked and they are right. And that's what we're trying to do. We

are trying not to be chilling. I don't care whether it's in anti-trust, whether it's in civil rights, or whether it's in the environment.

I want to try to lay out for people who are trying to comply with the law what the situation is and work with them in good faith and assume that people are not trying to break the law.

Senator BENNETT. That is exactly the response I'd hoped for. And by pointing this out, I appreciate your underlining that. I think that's exactly the right direction in which you should go.

Before I leave this point, I would like to emphasize that—I would hope that we would look at the HMDA data as a continuum. And the real problem is not the current levels. The real question is are we improving?

If indeed we find that it is coming down, if we take a similar look at this thing 6 months or a year from now, we can say your efforts are working. If we find that it is flat or going up, then we can say, hey, we really aren't making any progress here and we need to take another hard look at where we are. I'm always suspicious of data that is static as opposed to data that is dynamic. I appreciate your reaction to that.

Now, Mr. Secretary, if you'll turn to page 9 of your printed remarks. You speak very forcefully on this page about the five lenders who were required to pay civil money penalties totaling \$79,000, the 60 lenders who received letters of reprimand for non-compliance, and 21 cases of settlement agreements. Given the size of this market, those are very tiny figures.

Secretary CISNEROS. Correct.

Senator BENNETT. And you compare them to page 13, which shows the number of complaints rising, and you say that these cases require the lenders to pay a total of \$1.4 million as compensation. I have a hard time reconciling page 9 with page 13, as to the size of the problem. Page 9 would indicate that the problem is really very, very small. \$1.4 million is substantially larger than the \$79,000.

And then, while I'm taking you through this, if you could go to page 15 for just a minute.

On page 15, it shows that you gave \$1 million to the National Fair Housing Alliance, presumably for them to assist you in attacking this problem. To go from page 15 back to page 9 and say you gave \$1 million to an outside group to help you collect \$79,000 in civil money penalties, would indicate that there's some discontinuity here.

Can you take all of this and help me out to see exactly how large the problem is and what kind of progress is being made, or is it so slight that you have to move into a whole new area?

Secretary CISNEROS. Senator, I think the explanation for the differences between the first two sets of numbers you cited is that the first set of numbers were 1993 activity. And the \$1.4 million, the 900 cases requiring lenders to pay a total of \$1.4 million, is over a much longer period of time.

I don't have the time period in front of me as to what time that occurred, but it nevertheless indicates a longer record.

As for the scale of the problem, my sense is that it is a very significant problem. It's a very large problem. But it's also very difficult to make cases. And that's where the importance of testing

comes in and that's where the importance of methodology that is finer in its ability to get at the problem comes in.

My sense is that, and I think you'll hear later today when Governor Lindsey speaks, that we're talking here about millions of transactions. They have increased over the course of the last year, and that if you applied the percentages that we find in testing to the base, to the universe of what exists, we're talking about a very substantial problem.

If what the testers find—for example, I have evidence of one particular case where a white customer was told that a person who put down 11 percent must escrow 2 monthly mortgage payments. But an African-American customer who came in at the same time was told that if he put down 10 percent, he had to escrow 6 months' payment.

So the difference between 2 months or 6 months of escrow in payment worth, and virtually every other characteristic about the transaction was the same, same institution, same analysis, two different people, different only by the color of their skin. If the rate at which those things are found by testers is applied to the universe, it's a very, very large problem.

So my guess is that we're probably going in the right direction. The banking industry has understood the importance of the problem. I spoke last Monday in Chicago to the mortgage bankers. The new president of the mortgage bankers, a man named Ashley from Rochester, New York, has made this subject their number one priority for the mortgage bankers.

He spoke a few hours after me and amazingly, as one might think about the mortgage bankers and the priorities that they would set, when he spoke to his own organization in his maiden speech as their president, his subject was lending discrimination and a five-part program of training and so forth that they will initiate.

To go back to your earlier point, I think the line is going to start going in the right direction. But we have a very long way to go when the differential is still better than 2:1 in the levels of denial for African-Americans versus whites. And that's correcting for income and other circumstances.

What Governor Lindsey will tell you is that when you do the economic analysis, when you do the statistical models and correct for other variables like income and credit ratings and so forth, we still have 2:1 denial rates. We've got a long way to go.

Senator BENNETT. Well, I appreciate that. My time is up, but I would like to state that what I am interested in, and I think you are interested in as well, both of you, is not just to get the statistics in line, but to get the credit in the hands of the blacks and the Hispanics who need it.

Secretary CISNEROS. Absolutely.

Senator BENNETT. I think you should not be surprised that the mortgage bankers are interested in this. If they can smell an opportunity to make sound loans and make money on those sound loans and their own people are not doing it, they're going to crack the whip from the standpoint of self-interest, even if they are the most civic-minded individuals in the world.

Self-interest is a very great motivator. And one of the things you can help them do is help them understand that if they deny loans to blacks and Hispanics who are indeed credit-worthy, they're leaving money on the table, and that they need to get involved in this.

I would hope as you go through this, you don't just focus on the statistics. You need to focus on that dynamic and say, hey, guys, we will help you with training and all of the rest of this—

Secretary CISNEROS. Absolutely.

Senator BENNETT. —to get the money in the hands of credit-worthy applicants from which you can make exactly the same return you would if the money was put in the hands of white recipients.

Adam Smith will prove to be correct and people will act in their own self-interest and we'll get this problem solved in that way as well.

I salute both of you and your efforts and I hope you understand that my questions were clarifications rather than in any way a suggestion that I do not support, 100 percent, the efforts that you're putting forth.

Secretary CISNEROS. Mr. Chairman, may I expand just briefly, about 30 seconds, on my answer.

The first is, with respect to the numbers, my staff has indicated that the larger number, the \$1.4 million, is not only for a longer period of time, but for all fair housing and fair lending cases of any kind, anything related to fair lending that HUD is involved in. The smaller number is just for the HMDA-related violations for 1993, and we're just starting on HMDA in its use as a tool. So that's the first piece.

The CHAIRMAN. OK.

Secretary CISNEROS. The second quick point is I had a meeting with the Chairman of the Federal Reserve Bank several weeks ago on the subject of how we can better use housing to assist in the recovery and the strengthening of the stability of the economy long run.

One of the things he cited in that discussion, volunteered in that discussion, was addressing these questions of discrimination because there is a pool of demand out there for housing and loans which would strengthen the economy, if we could get over some of these practices.

I wasn't surprised at the mortgage bankers; I was just pleased that they would make it that kind of a priority.

Senator BENNETT. Thank you.

The CHAIRMAN. The witnesses were responding earlier to Senator Faircloth and I lost sight of the need to rotate here. I should have gone to Senator Sarbanes and I apologize to him for that and call on him now.

Senator Sarbanes.

OPENING COMMENTS OF SENATOR PAUL S. SARBANES

Senator SARBANES. Well, thank you very much, Mr. Chairman. I did want to pick up on something that Senator Faircloth was discussing with the Attorney General.

I think it ought to be clear that the reason that the Attorney General cannot appoint an independent counsel in the matter to which he made reference, or in fact in any other matter, is because

the Attorney General has no legal authority to do so. There's no existing legal authority in the Attorney General to appoint an independent counsel.

And the reason she has no authority to appoint an independent counsel is because we were not able to extend the independent counsel legislation in the Senate in the last session. And with all due deference to my colleagues on the other side, and particularly with respect to Senator Faircloth, the reason we weren't able to extend the independent counsel law was because it was filibustered by Republican Senators.

Now, hopefully, this expression of view by Senator Faircloth would indicate a willingness on his part, and I hope others, in effect, to extend the independent counsel law, which I understand the Attorney General has testified in favor of in appearances before the Congress.

In other words, there's legislation. We'd like to extend it. Many of us, at least, would like to extend it. I wanted to do it last year when the matter was before the Senate and we were frustrated from doing so by this filibuster. So now the law isn't there. The Attorney General doesn't have the authority to establish an independent counsel.

Now anything else she did would be someone who would be, in effect, not an independent person, would derive their authority directly from the Attorney General, and be responsible to her, whether it was in the Department or someone she brought in from outside.

Actually, I do think that there are some very able, skilled, professional career people in the Department on whom people can place their trust and confidence. But, in any event, until we extend this law, there's no way that the Attorney General can establish an independent counsel.

So I hope this expression of opinion by Senator Faircloth is an indication on his part, and hopefully others, of a willingness to move ahead on that legislation on behalf of which the Attorney General has testified before committees of the Congress.

Mr. Chairman, turning to the subject of this morning's hearing, I first want to commend you for the very strong leadership you've provided on this issue.

In February, this committee held a series of three hearings on the availability of credit to people in underserved areas of our country, and in the course of those hearings, developed a lot of the problems which hard-working, responsible, earning American citizens are confronting in trying to get credit, and the disparity which seems to exist on the basis of studies which have been done with respect to minorities in having access to credit.

The Federal Reserve Bank of Boston, of course, had done a very significant study, concluding that a black or Hispanic person in the Boston area is roughly 60 percent more likely to be denied a mortgage loan than a similarly situated white applicant. The Federal Reserve itself has made similar points on the HMDA data which I assume will be developed later this morning.

I'd like to ask the Secretary and the Attorney General, though, I'm concerned about this question of how effectively the Executive Branch is cooperating or coordinating within the Executive Branch.

And when I say that, I'm including the bank regulatory agencies as well. Is there any established mechanism for getting that kind of coordination on this issue?

Attorney General RENO. I think we can both answer for our respective Departments.

Early on, Mr. Ludwig called me and said that he wanted to work with us in every way possible. Since that time, he and the Associate Attorney General have met. The Office of the Comptroller of the Currency has been advised of what we need in terms of evidence sufficient to prove a pattern or practice. We've worked with them, talked with them about what's necessary. The information that is coming back to us now is good. I think we can proceed and we have a good working relationship.

We just announced that HUD and the Department of Justice have entered into a really cooperative agreement in which some of the investigations will be conducted jointly, some separately, but we will do everything we can to maximize the resources of the two Departments in this joint effort. Efforts in the past, before I took office, had been initiated to see if we could develop joint investigations with other regulatory agencies.

We've not received responses, but it may be our fault as much as theirs and I need to renew efforts to make sure that everyone understands how important it is for regulators to work with law enforcement agencies because they have that expertise, and we have the expertise of what's necessary to prove the pattern or practice.

Senator SARBANES. Well, I'll tell you, I want to follow up on that, just that last comment.

I take it that means that, in contrast with the relationship that's been established with the Comptroller of the Currency, with respect to banks under his jurisdiction, you do not as yet have a comparable relationship with, what, the FDIC, the Federal Reserve, I guess the thrifts as well?

Attorney General RENO. I think that would be fair to say.

Senator SARBANES. Pardon?

Attorney General RENO. I think that would be fair to say.

Senator SARBANES. And what's the difficulty there?

Attorney General RENO. I think I just have to keep trying harder.

Senator SARBANES. Well, you may try harder. Are they responding? This thing is a two-way street, I guess.

Attorney General RENO. I'd like to let them have the opportunity and if there is anything that we should be doing that we're not, we want to try to do it.

Senator SARBANES. Now, what's the nature of the cooperative relationship you're establishing? Where's the focal point for dealing with this issue in each of the Departments? Maybe that would help me here?

Secretary CISNEROS. Senator, for HUD, it is the Assistant Secretary for fair housing.

We are perhaps structured—I don't know enough about the structure of the regulators and others, but we have a very clear point of focus. And that is, Roberta Achtenberg, who is the Assistant Secretary for fair housing.

In the area of fair housing, what exists within HUD by law is the equivalent of the EEOC or the Civil Rights Commission. We have the statutory leadership for fair housing and subpoena powers and other strength between our Inspector General, our Office of General Counsel, led by our Assistant Secretary for fair housing.

And let me just say, from my standpoint, to answer the previous question, we have found very cooperative working relationships with the Justice Department, I can't say enough, and I said this to the Attorney General yesterday, about Webb Hubbell and his availability and leadership.

You will note that when we intervened in Vidor, Texas, to take over a public housing authority, which I'm told is the first time that's ever been done for civil rights reasons, ever, it was Webb Hubbell who accompanied Roberta and myself on that trip. He was involved every step of the way in leading up to the legal case that led up to that, legal work that led up to that action.

Senator SARBANES. Now let me ask, have the two Departments and the regulators given any thought or are they in discussion with the industry, in a sense, to lay out the problem and sensitize the industry and get them to move their practices in a response that would be perhaps in advance of or make unnecessary extensive litigation on this matter?

I guess one approach is we're going to find some bad actors and we're going to prosecute them very hard and that's going to be an example for everybody and it will send tremors through the entire industry.

Obviously, they understand that that's a possibility. But another approach, not necessarily—one could work both, I guess, if you felt it necessary. But another approach would be to say, look, we're very serious about this business. We had these hearings. We have this data. The regulators have been exploring it. It's something we need to respond to.

No one defends it, least of all responsible members of the industry themselves.

Is there any program or effort to try to, in effect, get an impetus or an initiative or an undertaking from the industry itself to try to move on this issue?

Secretary CISNEROS. Senator, the whole focus of my address last week with the mortgage bankers was this subject, and this subject alone.

I told my staff when we prepare the remarks for the mortgage bankers, let's go with one subject, and it was this subject. I was very pleased that the industry, which had been working on this for some time, and we knew it, responded that day with a five-point initiative which will be their dedication for this next year of their top priority to this subject. That's the mortgage bankers.

Similar efforts have been made with the American Bankers Association, with the Washington-area subgroup that I described, with the realtors, with the homebuilders, and with the mortgage brokers, which is another piece of the industry. They're not mortgage bankers, but they do brokerage work and find financing.

So we've really worked the industry extensively and feel like we're getting at least an acknowledgement of the problem.

Now, if your suggestion is that we need to do this in a concerted way, that's a good idea and we need to, when we meet, not only talk about how we can organize ourselves for the punitive actions, but how we can be more proactive. I think you make a very sound suggestion implicit in your questions.

Senator SARBANES. Well, I'd like to hear what the Attorney General thinks because, of course, she has a very big stick in her closet on these issues and, on the other hand, I guess as in any matters, you prefer to resolve them without using the big stick, if that's possible. Do you have any view about what might be done in this regard?

Attorney General RENO. Yes, sir. As I testified, one of the things that we're trying to do in the Department is to let people know when there are problems.

One of the things that became clear after the Department filed its action against Decatur Federal back in 1991, was that a lot of people just didn't know that they were guilty of disparate treatment and they were shocked when they were confronted with the facts and they had announced policies against discrimination. They tried to make very clear policy statements throughout the institution that they did not want to discriminate. And when they saw this information, they took corrective steps.

The Department has sent people regularly to as many meetings as possible to try to educate, and I've asked them to do everything they can to make sure that people understand.

What interested me was that members of the industry are calling to get information. I think now that HUD and the Department of Justice have joined together, we can work with the Office of the Comptroller to make sure that we use our resources for education in as wise a way as possible and cover the entire industry because my whole policy is to try to let people know where there is a problem, expect them to take corrective action, and then if they don't, after having been fully informed, I think we have a very solid basis for a lawsuit.

So I think HUD and the Department of Justice are very much in line with your thinking.

Senator SARBANES. Well, maybe the industry ought to consider identifying those institutions that do a good job and kind of communicating throughout the industry what it is they do that enables them to perform in a positive way on this issue.

There are some institutions that do a good job and are known for doing a good job. It seems to me how they go about it and how they accomplish it is probably a lesson that needs to be transmitted throughout the industry. Now that's something the industry itself, it seems to me, ought to give some thought to doing, as well as the Department trying to figure out how to get that across.

Attorney General RENO. I think from what I have heard that the industry is in the process of doing that and we can encourage and support that effort.

Secretary CISNEROS. Senator, I'm not sure whether you were here when I described earlier what we've done in respect to—

Senator SARBANES. No, I was delayed at another hearing.

Secretary CISNEROS. What we've done in response to the Washington Post article that described the levels of discrimination by

banks in the Washington area and the differential treatment was we hosted immediately after that, within 3 weeks, a meeting of Washington area bankers at HUD—quiet, no press, not an attempt to embarrass anyone, just to talk about the problem because we wanted to have, in our own backyard, a substantive example.

There are several banks, as you said, who were able to put before the group best practices, and I described some of those earlier—the way they do training, the way they have review before denials or final review by a second person to judge and so forth.

What we have decided is two things. First, we as a Department are going to help circulate that sort of litany of best practices, things that work and that have been proven to work. And second, we are now starting the same kind of meeting with our Assistant Secretary going to the ten regions in which HUD works and having similar meetings in those ten metropolitan areas—Chicago, Los Angeles, San Francisco, et cetera.

I think that's going to be a very important initiative. It came directly out of that Washington Post piece.

Senator SARBANES. Well, that's the sort of thing I was thinking of. I'm sorry I wasn't actually here at the time to hear it.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator ROTH.

Senator ROTH. Mr. Chairman, I want to briefly turn to another sensitive area, having the Attorney General before us. I hesitate normally to do this because what we have before us is critically important and also very sensitive. But the matter is particularly timely because it's on the Senate floor right now. And that involves the question of child pornography.

There's the case of United States versus Knox, in which a pedophile was convicted of violating the Federal child pornography law. This conviction was upheld by the Third Circuit Court of Appeals. It went to the Supreme Court where this spring, I think it was in March, the Acting Solicitor General filed a brief in support of the conviction.

More recently, this fall, a new brief was filed on behalf of the Justice Department by the Solicitor General taking a narrow point of view on the question of the child pornography laws.

I would point out to the Attorney General that the key holding of the Third Circuit was that the Federal law, clothed exhibitions of the genitalia are proscribed when a photographer unnaturally focused on a minor child's unclothed genital area with the obvious intent to produce an image sexually arousing to pedophiles.

As I said, that was the position that was upheld by the Acting Solicitor General this spring. This fall, the Solicitor General narrowed that and this has created considerable concern here in the Congress.

I know of your great interest in protecting children. Consequently, I wonder whether this reversal, this flip-flop, was known to you. And one of the things that has many of us concerned, for example, in the New York Times article of November 2, it predicts that the case will be dropped. It occurred to me that perhaps this was not called to your attention, but would you care to comment?

Attorney General RENO. I don't think the case will be dropped, Senator, and as you know, not only am I concerned about children, but my office in Miami has probably prosecuted one of the most dangerous, horrible pedophiles that I've ever seen. We worked hard to develop a children's center and to do everything that we could to take effective, vigorous action.

There is no flip-flop. There is a disagreement with respect to the application of the law. The Department of Justice is going to continue to prosecute cases where we believe the evidence and the law support it in every way possible.

Senator ROTH. There is a change. You're taking a much more narrow interpretation of the law.

I would point out that on the floor, both Democrats and Republicans, including the Democratic chairman of the Judiciary Committee, agreed that it was clearly intended, this act was clearly intended to apply to the situation at hand, where the genitals were clothed. So that I take it you agree with this narrower interpretation than was given this spring.

Attorney General RENO. I agree and was advised and discussed it with the Solicitor General and am bound by the law. I would be delighted to sit down with you, go over the precedents, discuss it, but I am committed to determining and calling it like I see it based on the law as the Congress has passed it, the Supreme Court has announced it, and as it's spelled out in the Constitution.

I can assure you I'm not going to back off the prosecution of child pornography or the prosecution of pedophiles where there is appropriate Federal jurisdiction.

Senator ROTH. The problem is, as a New York Times article of November 2 points out, that it's likely to be dropped because Government lawyers who have seen the tapes at issue have said privately that they fall well below the standard for prosecution described in the Government's new definition.

Attorney General RENO. Senator, my father was a reporter for the Miami Herald for 43 years. And one of the most important lessons he taught me is never believe everything you read in the newspaper.

[Laughter.]

Senator ROTH. You'll get no disagreement from this side on that point. But the fact remains that this decision was upheld by the Third Circuit. It was upheld or supported in the initial opinion. And what I'm saying to you is that the concern is that with this narrower description, it's going to open the floodgates to child pornography.

Attorney General RENO. Not if I can help it.

Senator ROTH. If I could just—and I'll be pleased to hear your answer. But I would just underscore and emphasize that there was agreement on the floor that the legislation was intended to cover exactly the situation in United States versus Knox.

I think our concern is not only that it will make it impossible to continue to prosecute this case, but many other cases where children are being exploited, taken advantage of.

And let me say that for 2 years, as chairman of PSI, we held hearings on child pornography. Pornography is used by pedophiles to justify their conduct. It's an extraordinarily serious matter.

Yet, what we're seeing here is that if the genitals are clothed, and the child himself or herself is not lasciviously acting, then there will be no prosecution. This means many of the cases, I fear, will be dropped in the future because they will no longer be applicable under your interpretation of the law, which is not what was said on the floor to be the intent of the Congress.

Attorney General RENO. Senator, what I would suggest you do, if you have any future case in which you're concerned that I can appropriately comment on, I will be happy to do so. If you have concerns as this case takes its course and I can comment appropriately, I will be happy to do so based on the evidence and the law.

Senator ROTH. Let me say that I have sent a letter to you in which I have asked not only what the plans for this particular case were but what you will do with other cases which involve the same kind of facts as were involved in Knox. I would appreciate your—

Attorney General RENO. What I have always avoided doing is what-ifs because I discover that if I say what I will do in the future for a case that has not yet been presented, there are facts and features that make it different. I take each case based on the evidence and the law.

With respect to this case, let us see what happens. If you have questions at the conclusion of it that I can properly comment on, I will be happy to do so. In the meantime, I will be happy to review any matter of law that you think that I have overlooked.

Senator ROTH. Let me just say in closing, under your narrower interpretation, undoubtedly, it will be necessary if you don't review that to drop a number of cases that are on the same kind of fact situation. I would like to know what those cases are. But I've sent a letter—

Attorney General RENO. Well, if you have any such case that's similar to the case that you're discussing that you'd like me to review, if you will call me at 514-2001, and ask for me, I will personally take it and I will personally review it.

Senator ROTH. My question is, which I don't have, but I think would be of interest to Members of the Senate, is how many cases fall outside of the category that are currently being prosecuted? But we can follow up on this later.

Attorney General RENO. I don't know of any other case like this. If you know of one, let me know. But let me just assure you that probably having prosecuted more pedophiles than you, and prosecuted them with all my heart and soul because I've seen the damage they did to kids, I'm going to continue to do it.

As a matter of fact, Senator, I get criticized for doing that sometimes. Somebody's saying that I go overboard. I try to do it based on the evidence and the law and I'm going to continue to try to do it.

Senator ROTH. Well, we, of course, want you to do that. But I think it's clear from what has been said on the Senate floor that the narrow interpretation does not adhere either to what the law says or what the Congress intended to say.

Attorney General RENO. Well, if you have any information concerning legal arguments based on the Constitution, as well as the statute, we will be happy to review anything, and I am sincere. I

don't ever claim to have all the right answers. I try to keep an open mind. And with respect to a matter such as this, I don't think politics should get into it. As the Senator knows, I will resist politics every step of the way. But I'm always happy to meet with you if you want to talk about something that's legal and that's based on the evidence and the law.

Senator ROTH. As I indicated, this matter is of concern on both sides of the political aisle. It's not a partisan issue. The question is, and I know you stand for it, of protecting children. And I think we are beyond that.

Attorney General RENO. The question is, Senator, what is the evidence and the law and the Constitution. I'm going to make the best call I can and I will join with you in doing everything I humanly can, under the evidence and the law, to prosecute child pornography and to prosecute those, where there is Federal jurisdiction, that harm our children.

Senator ROTH. Again, I would point out that the Acting Solicitor General and the Third Circuit Court of Appeals, a responsible part of our judiciary, upheld the interpretation of the law that has been espoused by the court.

Attorney General RENO. I'm well aware of that.

The CHAIRMAN. Well, I think we've talked that subject through as much as we can here today.

Senator ROTH. Thank you, Mr. Chairman.

The CHAIRMAN. I want to say to you, Madam Attorney General, I think your answers today from start to finish are ones that should give us all, and citizens across the country, great confidence in the fact that you are in this job and it's a difficult job. There are a lot of hard calls to have to make starting with the subject of today's hearing, which is the mortgage discrimination, lending discrimination area, but spreading out across the whole country.

I want to say, as one who has had the chance to serve under seven Presidents, and who has seen a lot of Attorney Generals come and go, I think your directness and capacity is as fine as I have seen over that period of time. I'm just very pleased that you're in the job, and I appreciate the dedication, the seriousness, and the balance that you bring to your work.

I have not had the chance to say that to you before in a public setting like this, but I want to do so today and particularly as we come to the conclusion of this part of the testimony this morning. I think that as long as you are there making the best judgments you can, based on the law and the facts, this country will continue to be well served by your leadership.

Mr. Secretary, thank you very much. I appreciate the testimony that both of you have given today. I think we are moving ahead here.

I just want to reinforce my feeling as Chairman, and I think I express the general view of the committee. We want you to move aggressively and strongly in this area, with every manner of helpful effort, from lawsuits, when those are required, to constructive dialog and persuasion, when that's the most effective tool.

But we've got to end mortgage discrimination in this country, whether it is based on racial or other factors that should have no bearing on one's ability to receive credit.

So, with that, we thank you both and excuse you, and we call our next witnesses to the table.

Let me welcome our next panel of witnesses. We're running a little long this morning because of the keen interest in the topic of today's hearing and other issues that have been raised in the course of our earlier panel.

Let me now indicate that our remaining witnesses this morning will be: Lawrence Lindsey, who is a Governor of the Federal Reserve System; Eugene Ludwig, who was here, of course, yesterday, who is the Comptroller of the Currency, based here in Washington; Jonathan Fiechter, who is the Acting Director of the Office of Thrift Supervision; and Andrew Hove, who is the Acting Chairman of the FDIC.

Gentlemen, we'll make your full statements a part of the record. Mr. Lindsey, we're going to start with you and we'd like your comments now.

STATEMENT OF LAWRENCE B. LINDSEY, GOVERNOR, FEDERAL RESERVE SYSTEM, WASHINGTON, DC

Mr. LINDSEY. Thank you very much, Mr. Chairman.

The CHAIRMAN. And before you start, let me just say, Senator D'Amato asked me to convey to you his apology. He had to go and be present at another committee at this particular time and was not able to stay.

So why don't you proceed, Mr. Lindsey.

Mr. LINDSEY. Thank you, Mr. Chairman, and I appreciate you incorporating my full written text.

I'm pleased to appear before the committee today to present the results of the 1992 Home Mortgage Disclosure Act [HMDA] data. I'll also make some remarks about the Federal Reserve's fair lending enforcement efforts.

Before I do, let me stress that I believe, as you do, Mr. Chairman, that discrimination tears at the fabric of our democratic society. For the Federal Reserve, no single consumer issue is of greater concern than assuring that the credit-granting process in the institutions that we regulate is free of unfair bias.

Fairness in the assessment of credit applications is absolutely critical to our Nation's well-being. Racial discrimination in particular, no matter how subtle, and whether intended or not, cannot and will not be tolerated.

Today, my primary job is to report to you on the results of the 1992 Home Mortgage Disclosure Act data. These data relate to lending activity of most mortgage lenders with offices in metropolitan areas, including independent mortgage companies. They disclose information on the disposition of home loan applications and on the race, national origin, gender, and annual income of loan applicants and borrowers.

Lenders also disclose, for loans originated or purchased during a year, the loans they sold, classified by the type of secondary market purchaser, and may indicate the reasons for denial of the applications.

The Federal Reserve's primary responsibility with respect to the HMDA data is to provide the data processing services for all the agencies under the auspices of the Federal Financial Institutions

Examination Council, or FFIEC. We do this as a matter of operational convenience.

The responsibility for gathering the HMDA data and ensuring that institutions follow fair lending practices is allocated by law to six Federal agencies. Of the more than 9,000 institutions that reported HMDA data in 1992, the Federal Reserve supervised approximately 600.

The most striking feature of the HMDA data for 1992 is the enormous rise in the total number of loans applied for compared to earlier years. The primary source was dramatic increase in home refinancings. But the total number of home purchase loan applications also rose. Not only were applications up, but so were loans approved, with higher approval rates for both black and white applicants.

Conventional home purchase loan approval rates rose 1.4 percentage points for blacks and 1.9 percentage points for whites. For Government-backed mortgage loans, approval rates rose 2 percentage points for blacks and 3 percentage points for whites.

Among individuals refinancing their homes, black approval rates rose roughly 6 percentage points, while white approval rates rose 4 percentage points. The rises in approval rates for refinancings are particularly striking given that the number of applications for both groups more than doubled.

Approval rates rose across the board for all income groups. Home refinancing loan approval rates rose roughly 4 percentage points for each major income group, while home purchase approval rates rose most dramatically for low-income borrowers.

The approval rate for applicants with less than 80 percent of the metropolitan statistical areas' median income went from 59.8 percent in 1991, to 68.9 percent in 1992 for conventional loans. For Government-backed loans, the same group experienced a rise in approval rate from 66.2 to 74.8 percent. Approval rates for other income groups, on the other hand, were up roughly 1 to 2 percentage points.

For us here this morning, though, the main focus is on the numbers for conventional home mortgage loans and some comparisons of white and minority approval and rejection rates. I know that's what we're here for and that's what I'm going to turn to for the bulk of my testimony.

The 1992 HMDA data continue to show that lenders approve most home loan applications, particularly for buying a home or refinancing an existing loan. In regard to home purchase loans, lenders approved roughly 72.9 percent of applications for conventional financing and 74.1 percent of applications for Government-backed financing. For refinancings, they approved 77.7 percent of the applications.

The rates of approval and denial vary considerably among home loan applicants grouped by their income and racial characteristics. Nationwide, in 1992, 80.5 percent of the applicants for conventional home purchase loans who are in the highest income group were approved for loans compared to 68.9 percent for the lowest income grouping.

Greater proportions of black and Hispanic loan applicants than of Asian and white applicants were turned down for credit in 1992,

as was also the case in previous years. Consistent with these findings, the data also indicate that the rate of loan denial generally increases as the proportion of minority residents in a neighborhood increases.

Nationwide, for conventional home purchase loans, 35.9 percent of black applicants, 27.3 percent of Hispanic applicants, 15.9 percent of white applicants, and 15.3 percent of Asian applicants were denied credit in 1992. By comparison, the denial rates nationwide in 1991 for the same type of loans were 37.4, 26.5, 17.3, and 14.9 percent.

The numbers for Government-backed loans reflect somewhat lower rejection rates than for conventional loans. In 1992, 23.8 percent of black applicants, 18.5 percent of Hispanic applicants, 13.5 percent of Asian applicants, and 12.8 percent of white applicants were denied credit. In 1991, by comparison, the rates of loan denial were 26.4, 18.9, 16.3, and 12.5 percent, respectively.

We saw some change in the volume of conventional home purchase loans to different racial groups from 1991 to 1992. Blacks had the largest growth in the number of loans received, increasing by 25.9 percent from 1991 to 1992. The increase in loans to white households was a substantial 20.5 percent. The increases for Hispanics and Asians were more modest, 7.6 and 5.6 percent, respectively. For each group, the largest percentage gains in conventional home loans occurred among home buyers with incomes below the median family income for their MSA.

For example, among blacks whose incomes were below the median, the increase was 33.9 percent. The percentage changes for whites, Hispanics, and Asians in this income group were 28.2, 25.4, and 42.2 percent, respectively. The total number of loans made to minorities, I would add, however, is not particularly large.

For example, out of this roughly 1.9 million conventional loans made in 1992, to the four largest racial or ethnic groups, whites received 1,582,000 of those loans.

When we look at the approval and denial rates, there's no question that the different rates for different racial or ethnic groups are troubling. But without in any way minimizing the importance of assuring equal access for credit for all Americans, we need to recognize that the denial rates for applicants categorized by their race or national origin reflect a variety of factors.

One factor relates to differences in the proportion of each group with relatively low incomes. For instance, in 1992, 21 percent of white applicants for conventional home purchase loans had incomes that were less than 80 percent of the median-family income for their MSA. Comparable percentages for blacks, Hispanics, and Asians were 37, 28, and 16 percent, respectively.

While the distribution of applicants by income may account for some variation in loan disposition rates, other factors account for most of the differences among racial groups. This conclusion is evident because even after controlling for income, white applicants for conventional home loans in all income groupings have lower rates for denial for 1992 than black and Hispanic applicants.

In fact, whites in the lowest income category, less than 80 percent of the MSA median-family income, experienced the same denial rate of 21.1 percent as blacks in the highest income category;

that is, people with more than 120 percent of the MSA median-family income.

Conversely, although differential treatment on the basis of race and national origin may contribute to the variation, it too does not fully explain the disparities and denial rates across racial and ethnic groups.

For example, the study by the Boston Federal Reserve Bank, of lending patterns in Boston concluded that after controlling for all known financial factors, race and national origin appear to account for differences in denial rates among applicants. At the same time, the study also concluded that differences in income, together with other financial characteristics alone, would have caused black and Hispanic applicants to be denied credit at nearly twice the rate of white applicants.

The HMDA data by themselves may not give us a sufficient basis for assessing the fairness of the loan process or whether fair lending laws have been violated. But the data do provide us all with a valuable tool for beginning the inquiry, as we undertake new and increased measures to prevent, root out, and eliminate the problem. I'll talk about just one such example.

Recently, the Federal Reserve System developed a computerized statistical model for using HMDA data in the fair lending portion of our bank examinations. I believe that this model that we have developed has the potential to be a substantial step forward and we're still making adjustments to make sure it works as we want it to.

Starting with the HMDA data, the model allows the examiner to select more expeditiously a sample of loans for review. Ultimately, the model enables us to match minority and nonminority pairs of applicants with similar credit characteristics but different loan outcomes for a more intensive fair lending review than would otherwise be possible for the examiner to make.

Once the pairs are selected, examiners examine the credit files for the individual applicants to determine if discrimination might have played a part in producing the different outcomes.

While such comparisons of minority and nonminority applicants have always been a part of the Federal Reserve's fair lending examination, we believe this computerized selection process, again, based on the HMDA data, will enable examiners to better focus their efforts and spend their time more effectively on the actual fair lending review of loan files.

Our field tests of the so-called Regression Analysis Program have demonstrated its promise. We're presently working to refine the model, reduce the level of examiner resources that have been needed in some examinations, and implement the program throughout the Federal Reserve examination system.

In sum, Mr. Chairman, the Federal Reserve is strongly committed to examining the banks that we regulate, in order to assess their treatment of credit applications from minorities, women, and others within protected classes.

We'll continue to focus on identifying any patterns or individual instances that might indicate these applicants were treated less favorably than other loan applicants. And when we find those violations through any of the techniques that we employ, we will re-

quire correction by the institution, notification to the applicant, and referral of the matter to the Department of Justice or HUD in all appropriate cases.

Thank you very much.

The CHAIRMAN. Thank you.

Mr. Ludwig, we'd be pleased to hear from you now.

STATEMENT OF EUGENE A. LUDWIG, COMPTROLLER, OFFICE OF THE COMPTROLLER OF THE CURRENCY, WASHINGTON, DC

Mr. LUDWIG. Thank you, Mr. Chairman.

I welcome this opportunity to appear before you today to review the efforts of the Office of the Comptroller of the Currency (OCC) to enforce fair lending laws.

Over the years, Mr. Chairman, you led the battle in Congress against lending discrimination. You promoted strong legislation to right these wrongs. You serve as an example to all of us in this area.

At my confirmation hearing 7 months ago, the first commitment I made to you was this—as Comptroller, I will not tolerate discrimination. Credit and other banking decisions simply cannot be made on the basis of where a person's parents came from, the color of his or her skin, his or her religion, or gender. Today, I repeat that promise. I will work to remove discrimination from our financial system. We will remove it root and branch.

I have a detailed written statement that describes the OCC's efforts to do so, as well as the steps we are taking to strengthen cooperative efforts, efforts among the Federal banking agencies and efforts with the Department of Justice and the Department of Housing and Urban Affairs. In the interest of time, I would like to submit that written statement for the record and use my time this morning to talk with you about how we have begun to turn the fair lending program of the OCC around. In other words, I would like to deliver a report on my progress to date.

In the last 7 months, we have redesigned our examination procedures to identify patterns of discrimination better, instead of focusing on individual loan files as we did before. As a result of these new procedures, we made four referrals to the Department of Justice in the last 3 months. This is compared to one single referral that the OCC made in the previous 15 years. And we expect to make several more referrals in the very near future.

In the last 7 months, Mr. Chairman, we have increased the human resources we devote to compliance by more than 60 percent, from 330 full-time equivalents to 530. And we have created a cadre of examiners devoted solely to compliance.

By the end of this year, we will have completed 20 targeted fair lending examinations, compared to none in 1992. And, we expect to conduct almost 1,000 general compliance examinations by the end of this year, essentially twice the number of last year.

In addition, we are now finalizing a testing program to uncover illegal discrimination before customers file home mortgage applications. Mr. Chairman, this testing program will begin early next year.

In the last 7 months, we have held more than 100 outreach meetings on compliance with bankers, community groups, and oth-

ers. I believe that this outreach program and involving banking organizations and bankers is very important.

And, as my written statement details, we have forged strong links with the other agencies, including the Department of Justice and the Department of Housing and Urban Development. We want to send a clear message that we will not tolerate discrimination as an administration. This cooperation, let me emphasize, has been fruitful as a result of the leadership we've seen from Attorney General, Janet Reno and Secretary, Henry Cisneros.

Further, we are developing sophisticated statistical methods that will show us where to look for discrimination during our examinations.

We've done a lot, Mr. Chairman, and we've learned a lot, and we have a lot more to do.

One of the things I've learned in the last 7 months is just how complex and complicated our task is here. And I've learned that while it is easy to point fingers, it is much more difficult to get to the roots of the problem.

Let me give you an example. Today, the Federal Reserve released the most recent data collected under the Home Mortgage Disclosure Act. As in previous years, this release will fuel assertions that lenders are illegally discriminating, which in turn will trigger claims by lenders that their loan decisions are based solely on economic factors. The charges and countercharges will shed very little light, I'm afraid, on the disparities that the data really show. If we want to make any progress in resolving the problem of discrimination, we have to go far beyond the data. And we can. In fact, at the OCC, we now do.

It just so happens that the Equal Credit Opportunity Act requires lenders to record the reasons they deny loans. And although they do not have to, most banks report this information under HMDA. In fact, we have this data for 86 percent of HMDA loan denials. What that means is that we can analyze which factors are most frequently cited for denials, and we can tell if some factors are cited more often for minorities than for whites.

This information helps us to decide where we need to focus our resources when we go in to examine a bank. For example, if a bank cites credit history problems twice as often for minorities as it does for whites, we know we need to take a close look at how the bank is applying its policies. It may be that the bank is applying its policies in a discriminatory manner. Or, it may be that the bank is not accurately reflecting the real reason for denials. In any case, this analytical approach gives us a leg up in our effort to identify discrimination.

Perhaps more importantly, this information allows banks, community groups, and policy-makers to pinpoint the specific barriers to credit that need to be overcome. We can then focus our energies on crafting solutions rather than merely assigning blame.

Earlier this year, I attended a home ownership fair sponsored by ACORN. The fair brought together local bankers and community groups to educate potential homebuyers on ways to overcome the problems most commonly cited in mortgage loan denials. This is just the kind of collaboration and positive action that can move us forward in this debate.

In closing, Mr. Chairman, our analytical approach is only one of the many things we do to identify discrimination. In our discrimination examinations, we typically go well beyond looking at one possible factor or the other. We have to use all means at our disposal to end discrimination as quickly and vigorously as we can. And, let me assure you and the committee that that is exactly what we will do.

Thank you. I look forward to answering any questions that you may have.

The CHAIRMAN. Thank you very much for such a strong and credible statement.

Mr. Fiechter, we'd like to hear from you now.

**STATEMENT OF JONATHAN L. FIECHTER, ACTING DIRECTOR,
OFFICE OF THRIFT SUPERVISION, WASHINGTON, DC**

Mr. FIECHTER. Thank you, Mr. Chairman.

I appreciate the opportunity to discuss the Office of Thrift Supervision's administration and enforcement of the fair lending examination laws. Fair lending is at the forefront of our supervisory agenda and will remain so.

Let me begin by clearly stating that discrimination has no place in our society. It is socially and economically destructive.

You have my commitment that any instances of discrimination we encounter in the thrift industry will be dealt with swiftly and aggressively.

An essential part of our supervisory mission is to ensure the thrift institutions we regulate provide fair and consistent treatment to loan applicants.

Since 1989, OTS has had a specially trained career professional staff of examiners responsible for conducting compliance examinations, the fair lending laws, and regulations reviewed as part of those examinations, as well as the Community Reinvestment Act and other consumer protection laws and regulations.

Last winter, we began an internal effort to carefully review our fair lending activities with the goal of improving our performance. We developed a three-part plan to combat lending discrimination in the thrift industry that involves first improving the discrimination detection techniques used by our examiners; second, strengthening our enforcement response by ensuring that formal enforcement actions are taken to address noncompliance and appropriate referrals under the Equal Credit Opportunity Act are made to the Department of Justice and HUD; and third, to work with the industry and other groups to better sensitize them to the subtle forms of discrimination.

I agree that more needs to be done, but I believe we are moving in the right direction. I would like to share some of our initiatives and accomplishments, many of which are being pursued on an interagency basis.

To improve the quality of our examination approach, the agencies are developing an advanced compliance examiner training school which should improve the ability of our examiners to identify discrimination. We are also exploring the use of additional techniques to detect discrimination.

For example, we have discussed testing with civil rights groups and offered to participate with HUD in their testing program. And I would assure you that we will follow up with HUD and with the Justice Department. I had thought that the four agencies were working in concert and that we had pretty good communications with Justice and with HUD. Clearly, I was wrong. But I will act this week to set up appointments with those two agencies to see what we can do better in this area.

We are supporting interagency efforts to review and improve fair lending examination policies and procedures. A key area is how we can make better use of HMDA data to identify meaningful lending disparities and potential problems that call for intensified examinations.

To strengthen our fair lending enforcement efforts, we have adopted internal procedures to ensure that appropriate cases are referred to the Department of Justice. We have recently provided targeted compliance training sessions for our regional counsel to update them on compliance issues, with a focus on fair lending enforcement.

In the past several years, we have worked with the DOJ on fair lending issues ranging from the Decatur Federal investigation to broader discussions of examination and enforcement approaches.

We intend to conduct special targeted fair lending reviews of several of the lenders identified earlier this year by the Department of Justice as having possible disparate lending patterns based on race. If we uncover a pattern or practice of discrimination at these institutions, we will make direct referrals.

To improve communications, the agencies are developing industry seminars on fair lending. As we develop these programs, we recognize the benefit of working closely with community groups with expertise in the fair lending area and have been doing so.

I would like to briefly mention initiatives we have underway at OTS to facilitate greater affordable housing lending by thrifts.

As you know, the thrift industry has emerged from a turbulent and traumatic period. A major challenge and opportunity now facing the industry involves providing affordable housing credit to low- and moderate-income individuals. Some thrifts have seized the initiative and have found that providing affordable housing financing can be a viable and profitable business.

We want to foster a greater level of cooperation and partnership between Federal, State, and local governments, community organizations, local businesses, and the financial industry to help meet the pressing needs of underserved communities.

Depository institutions have been particularly frustrated in their efforts to provide services in the more economically depressed parts of our cities. Clearly, no one party can do it alone.

We have met with a variety of groups and organizations to help us develop more expertise in the affordable housing area. We are also reviewing our internal policies and practices to identify rules that conflict with our objectives of facilitating prudent, affordable housing lending. Part of this effort will include a study of the risks associated with affordable housing lending and ways to mitigate them.

To coordinate our affordable housing initiatives and to complement our fair lending and CRA efforts, we announced on October 20 the establishment of a new community affairs liaison program to be carried out in each of our five regional offices. This program will direct and manage community outreach efforts and provide technical assistance to staff, examination personnel, savings association management, community groups, and small businesses on community development, fair lending, and affordable housing issues.

The community affairs liaisons will meet regularly with consumer and community groups and Government and industry organizations regarding regional affordable housing and community development. They will also work with OTS-supervised institutions to help them enhance their community outreach and community development activities.

We believe that our program to enhance our examination and enforcement efforts, coupled with our specialized compliance examination approach, our involvement in interagency initiatives, and our internal affordable housing initiatives, will bring about much needed improvements to our fair lending activities.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Hove, we'd like to hear from you now.

**STATEMENT OF ANDREW C. HOVE, JR., ACTING CHAIRMAN,
FEDERAL DEPOSIT INSURANCE CORPORATION, WASHINGTON, DC**

Mr. HOVE. Thank you, Mr. Chairman.

On behalf of the FDIC, I welcome this opportunity to testify on the 1992 HMDA data and on our efforts to strengthen enforcement of fair lending laws.

Mr. Chairman, let me begin by saying that we are not encouraged by the 1992 data for FDIC-supervised institutions. The good news is that denial rates for applications by minorities have declined somewhat. The bad news is that the disparity between denial rates for white applicants and minority applicants remains significant.

In 1992, denial rates at FDIC-supervised institutions declined for minorities: For African-Americans, denial rates decreased from 32 percent in 1991 to 29 percent in 1992; for Hispanics, from 30 percent to 25 percent; for Native Americans, from 23 percent to 20 percent; and for Asian Americans, from 16 percent to 13 percent.

However, compare these denial rates with the rate for white applicants. In 1992, the denial rate for white applicants was 11 percent. For minorities, the rates were: 29 percent for African-Americans; 25 percent for Hispanics; 20 percent for Native Americans; and 13 percent for Asian Americans. Clearly, for most minorities, great disparities still exist.

The continuing disparities revealed by the 1992 HMDA numbers are troubling. Do higher denial rates for minorities reflect racial discrimination by mortgage lenders? One would certainly think so from looking at the numbers. However, the degree to which higher denial rates reflect racial discrimination is impossible to determine solely from HMDA data.

In order to determine where racial discrimination may be at the root of the disparities, we must combine analysis of the many data sources at our disposal with targeted on-site scrutiny of lending practices of individual institutions.

We are committed to ensuring that the credit-granting process be fair and be free of bias. Unfortunately, it was not until the last few years that the regulatory agencies have significantly increased their efforts in this area. The FDIC has implemented several major initiatives to strengthen our commitment. For example, in early 1991, we created a separate examination staff dedicated solely to compliance and fair lending laws. We now have 266 of these field examiner positions. We have undertaken specialized training of these examiners.

In addition, in 1990, we created a community affairs program. We are increasing this staff by adding a fair lending specialist at each of the regional offices. This specialist will, among other things, focus on HMDA data analysis and how examiners and institutions can use that data more effectively.

In the spring of this year, the FDIC revised its Fair Housing Act examination procedures to provide our compliance examiners with more specific direction and guidance. We are also in the process of improving our demographics data bases so our compliance examiners can better understand local communities and their needs. So why have the denial rates for minorities not improved more significantly?

Changing lending patterns involves sustained, long-term commitment by depository institutions, regulators, communities and consumers. We recognize that still more work needs to be done in addition to these efforts we have already undertaken. Therefore, we continue to study what changes are needed to more effectively enforce fair lending laws.

Earlier this year, we established an internal fair lending working group to further explore ways to strengthen compliance and enforcement. This working group made over 40 recommendations, many of which we are already implementing.

The other recommendations—including the development of testing guidelines for use by institutions and the creation of a separate office of consumer compliance and fair lending—are in the process of implementation or will be decided upon later this month.

Apart from this working group's efforts, areas in which we plan to focus include: Improving our expertise in the use of HMDA data; training both compliance and safety and soundness examiners with respect to underwriting standards for loans to low- and moderate-income borrowers; educating institutions regarding use of HMDA data and the impact of their underwriting standards; educating consumers regarding their rights; and improving our understanding of community development in general.

Finally, with respect to the 1992 HMDA data results, we will commit up to 100 examiners to a special project of conducting immediate follow-up investigations of individual institutions that will be selected based on our analysis of the data.

To say that there is unfinished business in the fair lending area is an understatement. Work remains to be done. Credit availability for minorities can only be improved if the regulatory agencies work

with each other, with other agencies such as the Justice Department and HUD, with community groups and individuals, and with the banking industry. By working together, we can identify the problems and find solutions.

Thank you for the opportunity to testify and I look forward to answering your questions.

The CHAIRMAN. I want to address several questions to you and I appreciate the statements each of you have made. I want to put the facts in the record and then from these facts, pose a question.

According to both the briefing given to the committee staff by the Fed staff and all of your own remarks, there are significant disparities in lending to minorities as compared to white persons across some levels.

Now, for the sake of the record, these are the denial rates for each income group. Low income group, 36 percent of African-Americans were turned down, 21 percent for white Americans. The moderate-income category, 26.9 percent of African-Americans turned down, 12.6 percent of whites turned down. In the middle-income, the figure of turn-downs, again, 24.3 percent for African-Americans, only 10.6 percent for white Americans. And in the high-income area, African-Americans have a 21 percent denial rate, and white Americans, an 8.8 percent denial rate.

So we see a very striking difference, and it goes up and down the income scale. It's obvious from these results that something is badly amiss. You actually have a situation here where the denial rates, if you go across the four categories that I just outlined, are equal for high-income African-Americans and low-income whites. It really twists the whole thing way off its moorings in terms of any pattern of fairness that one would try to discern from this kind of data.

Now, my question is, starting with you, Mr. Lindsey, how do you account for this? What's going on here?

Mr. LINDSEY. Looking at the HMDA data themselves, I don't know. All I can refer to is the Boston Fed study, where what the researchers did, was to go into the actual loan files and look at all of the factors that were involved.

There, what they found was that other factors—such as applicant's credit history of the loans outstanding—had some effect on the disparities. The results suggested that if minority and white applicants were treated identically, that there would still be a very, very substantial, perhaps twice as high rejection rate for minority applicants as for white applicants.

The study also found, however, that even taking these factors into consideration, did not explain all the disparity in the rejection rates.

So, again, from the HMDA data, I cannot tell you why there is a disparity. The Boston study, as you know, has been criticized by many people, and I don't mean to say that it's perfect. But I do think that it's the most thorough examination we've had. The only insights I can give you are from the results of that study.

The CHAIRMAN. You know, when you think about it, and I don't want to overly personalize it, this is a personal tragedy for families in this country. So, it affects us all because it starts to pull apart the fabric of our country.

If any of us were African-American and facing this prospect, or our children were, of denial of the opportunity to get mortgage loans, I think it would create within us such a terrible frustration and sense of deprivation. I mean, it's one thing if it's happening to you, as wretched as that is. It is much worse when your children or grandchildren are going through the succession of this kind of racial discrimination, and you cannot do anything about it, in America, in 1993. Why do we all have these jobs?

It seems to me that the data is now manifest enough, and we've seen enough. I think the Fed data and the Boston Fed study are important cross-references, that something more has to be done. It has to be done in real time. In other words, because this data is current enough, it tells us that this is going on literally as we meet here in this room.

Mr. LINDSEY. Yes.

The CHAIRMAN. Presumably, somebody is being denied credit today, incorrectly, because a racial factor is being interjected. So, I think that something much more aggressive has to be done. This is a denial that has an impact on people's lives and on even their faith in this country. It is happening today in large numbers all over the country.

Let me ask the rest of you. Let's go right down the table. Mr. Ludwig, what accounts for this?

Mr. LUDWIG. These are really horrifying numbers. Having been around the country as part of our CRA reform effort, I've talked to dozens of people, and the anecdotal evidence is so apparent. Clearly, part of these numbers is explained simply by discrimination. That's a terrible fact, but that is a fact. And, I think our anti-discrimination efforts will help. Beyond that, discrimination, as I indicated in my statement, is a very complex and subtle matter. We have to really get at the root cause of it.

This week, I had the honor of having dinner with one of the real world leaders in development banking, Muhammad Ynis of Bangladesh. He started, from nothing, a \$100 million bank that lends to the poorest people in the society. All the explanations for disparities and all the excuses why loans could not be made to these people turned out to be completely unfounded once he figured out how to effectively get to the community.

We have to go beyond mere enforcement efforts. We have to get to the root causes of why these factors exist because those HMDA numbers are simply unacceptable and have to be changed.

The CHAIRMAN. Mr. Fiechter, what's your view?

Mr. FIECHTER. I can't add much, I'm afraid, Mr. Chairman. If I were sitting in the audience now, I guess I'd feel there is a real disconnect between all of us up here, saying that we are unable to discover discrimination, and then you look at the numbers and the kinds of disparity in terms of the turn-down rates.

This is probably heresy, but I was at a recent thrift meeting where we discussed this problem. One of the suggestions from a very frustrated thrift was that we expand the HMDA data we now collect, and I think Decatur Federal may be an example of where you can look at this data where you have a turn-down rate twice as high for African-Americans as for white applicants, and yet, it

took the Justice Department 3 years to actually build a case that discrimination was going on.

I think that what we all have to do is figure out a better way to take what, on the surface, seem very unacceptable numbers and translate them into actions that we can actually implement where we can differentiate between the institutions where, on a case by case basis, they come up with explanations that we all obviously, based on performance, end up accepting.

The CHAIRMAN. Well, let me ask you this. I'm hearing you say, and tell me if I'm right or wrong, that, in your professional view, we may need to expand the HMDA data.

Mr. FIECHTER. I think it's clear that what we've got right now is not sufficient for us to be able to take just the HMDA data and identify discrimination. And I think that—

The CHAIRMAN. But you're not asking for less, then.

Mr. FIECHTER. No.

The CHAIRMAN. That leads inescapably to the conclusion that you think we need some more.

Mr. FIECHTER. If we and if the press are going to rely on these numbers, and as I guess Mr. Ludwig said, there will be all kinds of debate after this hearing as to what the problem is. I think we either ought to drop it, which I'm not suggesting, or we ought to figure out a way to make HMDA work.

OTS actually used to collect more data. We scaled back, in part, I guess, to conform with everyone else in terms of what we collect. And this is not popular with paperwork burden, and the thrift executive who mentioned this said he had not gotten a lot of support from his fellow institutions. But his was an institution which had been beaten up for the HMDA data.

He went back, looked at his particular institution, and thought he had a pretty good case, but you couldn't make it through the HMDA data. And I guess the Boston Fed study is another example of where it took an extra bit of effort on the part of the Fed, and I guess additional information was collected over and above what those institutions filed on the basis of HMDA to actually determine whether or not discrimination was occurring, or at least to get more information on the kinds of activities that were resulting in disparate treatment.

The CHAIRMAN. Well, I must say, I think if you follow through, with your example, of an African-American sitting in the audience today, who has been turned down for a mortgage or who has had a child turned down for a mortgage, they are listening to regulators that don't have an answer. They hear you saying, yes, something's wrong and we're trying to figure out what it is, and we're having a hard time doing it. And meanwhile, life goes on.

I can see how disillusioning that would be. I don't think we have to be very imaginative to imagine ourselves in that situation. We would feel a tremendous resentment about the fact that something as fundamental as a fair shake in the credit system of the country, is not being protected by the Government.

We have deposit insurance for this very reason, to make sure that the system is there in a safe and sound way, for the access of all people in the country. But then to find that if you walk in the door and you happen to have a certain skin color, versus you

or me, who are white, that the data, in a very dramatic way, indicates that you're going to just be given less of a chance or maybe even denied the chance to be able to participate in this economic system.

It is a stunning shortfall. I think the regulators have to think in terms of the people who are being cheated because every citizen who comes through the door and who receives unequal treatment is being cheated. And it's against the law.

Mr. FIECHTER. I agree.

The CHAIRMAN. It's a violation of the law. I don't know that there's any higher obligation that any of you have. I don't just direct this at you, but anybody in any of these positions of authority. You all have to see to it that these laws are carried out fully, faithfully, and in spite of the excuses that are given, even if they're excuses of old processes that have been in place for a long time and have not changed with the times. This is 1993. It's not only wrong, but it's illegal. And people that can't figure it out don't deserve to be in these jobs. I'm talking about the people that run the financial institutions, who make the credit decisions, or who serve as regulators over those systems.

This is damage that's being done each day. This damage is America. It's like taking part of the Constitution of this country and ripping it up. And if it's ripped up in institutions across this country each day, for certain individuals, who find that because of this denial, their basic legal rights are being taken away from them, that's just wrong. That hurts this country and it steals from our future. It prevents us from having the kind of future—it's one of the reasons we've got all these problems right now in the inner cities, because we've had a pattern of denial based on redlining and race and other things for a long, long period of time.

We talk about the virtues of the free enterprise system and entrepreneurial effort and so forth and so on. It's fine when you can make it work. If you can't get your hands on the tools, then it's really sophistry, as we all know.

So I want to come to Mr. Hove next, but Mr. Lindsey, would you agree with the notion that maybe we need to broaden out the HMDA data?

Mr. LINDSEY. Senator, I think the most effective approach is for us to adopt the kind of statistical analysis that we have and that the Comptroller has developed this year. In effect, what that does is do a Boston study on each lending institution.

Maybe it's the advent of the computer or the computer that can be carried with the examiner that allows us to do this in, I think, a very revolutionary manner. We can now much more effectively examine loan files for unfair treatment than we ever could before.

We have committed a tremendous amount of resources to developing the software for that. We're working with the other agencies on this.

I think that the examiner going in and looking at the actual loan files with this enhanced statistical approach is the best enforcement tool that we could produce.

What you're asking is whether or not making more of the details of particular loan files public is useful.

I think it's our primary responsibility for our examiners to go in there and look at all the data. I would not be convinced that you really want to have all the data in a loan file in a publicly available type of situation. I think there might be privacy concerns. But I think that having examiners examine that data is the right way to eliminate the discrimination.

The CHAIRMAN. Mr. Hove, what is your reaction as to why we have this situation, as to why we've seen this kind of thing?

Mr. HOVE. I don't know that I could add much as to why we see the data. But I would respond that this is unacceptable, to have any kind of discrimination. And that's why I have committed, and the FDIC has committed, to intensify our efforts in ferreting out any kind of discrimination in those institutions that we look at. That's why we're committing today another 100 examiners, on a special project, to look at those institutions that we find, through the HMDA data, are the ones that apparently have some evidence of some kind of discrimination.

We intend to look more closely at those institutions, to try to work with them, so that they eliminate any kind of discrimination that they now have and bring them back into line so that there will be no discrimination.

The CHAIRMAN. Let me ask you this. It seems to me that, again, using logic, and presumably, we're free to do that around here, maybe we could get to some good answers. I would suspect and theorize that the patterns we're seeing in mortgage discrimination probably also show up in small business lending. Would you agree with that?

Mr. HOVE. I would think that that's a fair assumption, yes.

The CHAIRMAN. We're trying to get some economic lift into the system, and trying to regenerate the cities. We're trying to make sure that inner-city areas and minority people, who are many times trapped in the underclass, have a chance to work their way out and business loans are one avenue. It's one of the few avenues that we have.

I'm wondering if we shouldn't be expanding the kind of HMDA data collection process to also pick up small business lending. I suspect we may have a problem there that's as large or larger. I can see why, because of the fairly homogenized nature of a home mortgage, you get these large patterns of discrimination. We might even find larger patterns of discrimination with respect to small business lending and turn-downs.

So why wouldn't we be well advised, now, in light of the fact that we've got a big problem in the housing lending area, to take a look at the small business lending as well? Mr. Fiechter, what's your thought on this?

Mr. FIECHTER. Well, I'm probably the least qualified because of thrifts not actually having much in the way of small business loans. But if we're strictly talking about logic, I agree with you.

The CHAIRMAN. What about you, Mr. Lindsey?

Mr. LINDSEY. Are you asking for HMDA-type reporting for small business loans?

The CHAIRMAN. I'm saying if we've got an equivalent problem, maybe out in the small business area, that we're trying to—we want a fair system. We want economic activity going on. We want

to get the financial oxygen down to the people in the system who may have some ideas across the board, African-American, white, whatever.

Mr. LINDSEY. Yes. I think that one of the things that we're looking at, as part of the CRA reform process, is making more data available to the public. The only caution that I would add, with regard to small business is, as you mentioned, Senator, the small businesses are even less homogenous than our housing loans. And therefore, the amount of data and the amount of questions that you would have to report, in order to get a meaningful, publicly releasable statistic, I think, would be much higher.

I think perhaps a more appropriate approach would be through the CRA reporting process rather than through a HMDA process. But your point is well taken, that certainly, the problem in the small business area is there and we must work at it.

The CHAIRMAN. Mr. Ludwig, what's your view?

Mr. LUDWIG. The administration is looking hard at this question. We realize that this is a serious set of issues.

The CRA reform that Mr. Lindsey mentioned clearly is an area where the President has given us strong direction. The objective is to ensure that in, as you put it, a real-time and results-oriented way, we get loans, services, and investments out to low- and moderate-income areas. The President has made it very clear that loans don't just mean housing loans and they don't just mean consumer loans. They mean business loans and, in particular, when you're dealing with low- and moderate-income individuals, they mean small business loans. As part of the CRA reform effort, I am confident we will see a focus on lending generally, including small business loans that will help to address this issue.

The CHAIRMAN. The hour is late, and we've got other matters that we must attend to here. But according to Attorney General Reno's testimony, the Justice Department developed a list of approximately 200 lenders whose 1990 and 1991 HMDA records indicated possible disparate lending patterns.

The regulatory agencies were then given a list of the institutions that each of you regulate. The Justice Department then asked each agency to narrow the list of institutions down to four or five that might be suitable for joint investigations between your respective agencies and the Justice Department.

According to the information that I have, the OCC is the only agency that has responded to the Justice Department. Now, have any of the rest of you responded and I am not aware of it? And if not, when will a response be forthcoming? You want to start, Mr. Hove?

Mr. HOVE. I will. I'd be glad to respond because we have responded to the Justice Department. I am sorry there's been a misinterpretation by the Justice Department.

The CHAIRMAN. Well, I'm glad to get the clarification and get it on the record.

Mr. HOVE. And I'm particularly pleased that both of these agencies take a personal interest in this. I want to assure you that we are ready to cooperate with them.

On page 10 of my written testimony, we indicate how we have promptly responded to the request from DOJ for information on

FDIC-supervised institutions that were identified by the Department as having HMDA data that fell outside the certain parameters established by DOJ.

We have been cooperating with DOJ in their follow-up efforts concerning these institutions. And in fact, a copy of the correspondence with DOJ is attached to my written testimony.

The CHAIRMAN. When did that go over? What's the date on it?

Mr. HOVE. They tell me it was several months ago. I don't know the date. I don't have a copy of that. But we will follow up with the Justice Department and we'll correct any misinterpretation of our response to them.

The CHAIRMAN. Very good.

Mr. HOVE. I assure you that our intent is to cooperate with the Justice Department and with HUD.

The CHAIRMAN. All right. Good. And we'll review that with you because I want to make sure that we've got an accurate record here.

Mr. Fiechter.

Mr. FIECHTER. I was surprised also, Mr. Chairman. I thought we had answered. I can remember signing the letter several months ago. We will put a letter into the record or submit one for the record.

We also went through the list of institutions that they gave us, and I believe in my written testimony, we referred to several that we have identified as warranting a targeted exam in this area and we intend to do that. It was a handful of the actual group that they gave us. But we do intend to follow up, both with those institutions and with the Justice Department.

The CHAIRMAN. Mr. Lindsey, has the Fed responded?

Mr. LINDSEY. Senator, to the best of my recollection, I met in the Comptroller's office with the Comptroller, with representatives of the Department of Justice. I thought that the matter had been settled at that meeting.

We have a policy where we have already referred one case to the Justice Department. We have other cases we are considering in that process and in the Justice Department investigations, we are working carefully with them. And to my knowledge, we have given them all the data that they wanted. So I, too, was surprised. I thought the matter had been settled.

The CHAIRMAN. Well, apparently, somewhere along the line, there's a miscommunication or misunderstanding. What I would like to do is make sure that I have a commitment out of each agency. You'll identify the institutions that are the most troubling, communicate that to the Justice Department, and work with them; so that, we've got some coordinated way of moving ahead on these things.

Mr. FIECHTER. Yes.

Mr. HOVE. I assure you, we will.

The CHAIRMAN. Mr. Lindsey.

Mr. LINDSEY. Yes.

The CHAIRMAN. Gentlemen, I'm going to give you some additional questions for the record, both from myself and possibly from other committee Members.

I think that this has been an important hearing today. I appreciate the responses that you've given. I think we've got important work to do here.

I want the tone of our meeting today to be a constructive one, in the sense that, these are problems that we've identified, and now intend to solve aggressively in real time. So I'll look forward to your further efforts in that regard.

Mr. FIECHTER. Thank you.

The CHAIRMAN. The committee stands in recess.

[Whereupon, at 12:59 p.m., the committee was recessed.]

[Prepared statements, response to written questions, and additional material supplied for the record follow:]



Department of Justice

STATEMENT

OF

JANET RENO

ATTORNEY GENERAL

BEFORE

THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

CONCERNING

ENFORCEMENT OF FEDERAL FAIR LENDING LAWS

PRESENTED ON

NOVEMBER 4, 1993

Mr. Chairman and Members of the committee, I appreciate the opportunity to appear before you today to discuss one of the most important civil rights issues facing this country—racial and ethnic discrimination in the mortgage lending industry. Before I go into the substance of my statement, I want to take note of the fact that the Chairman has announced his intention to retire from the Senate. You will be missed. As Chairman of this committee, you have been a leader in the effort to ensure that Americans of all races have an equal opportunity to obtain credit and to build better lives. I want to extend my personal thanks to you for your extraordinary effort.

I can think of few things more harmful to the fabric of our society than to be denied access to credit because of the color of one's skin. Credit is the lifeblood by which hardworking men and women seek to build their futures and provide a better life for their children. Homeownership is part of our cherished American dream. To tolerate discrimination in housing in whatever form diminishes our potential to live and grow together as a nation.

Lending discrimination is particularly harmful to our inner cities. This summer the Washington Post ran a series of front page articles showing that many prominent lending institutions in the Washington, D.C. metropolitan area do little business in black neighborhoods and have concentrated their branch locations and mortgage lending in white areas. These are beacons that remind us that the failure to provide equal credit opportunities will make even more difficult the enormous task we face in ridding our cities of crime and establishing safe, livable, and economically dynamic neighborhoods. Thus, I assure you that as Attorney General I will work as hard as I can to see that the Department of Justice fulfills its law enforcement responsibilities in the area of fair lending.

As you know, we have weapons to wage this fight. Both the Fair Housing Act and the Equal Credit Opportunity Act authorize the Attorney General to bring pattern or practice lawsuits in Federal court to challenge discrimination in lending. The remedies available under these laws include broad injunctive relief to end discriminatory practices and ensure against their recurrence in the future, compensatory relief for the victims of past discrimination, punitive damages, and civil penalties.

I. THE DECATUR FEDERAL CASE

In September 1992, the Department of Justice used this authority to bring its first-ever pattern or practice race discrimination lawsuit against a large mortgage lender. The suit against Decatur Federal Savings and Loan Association, one of the largest originators of home mortgages in Atlanta, Georgia, has been characterized by many as a wake-up call that mortgage lending discrimination will not be tolerated—and that the Department of Justice has the will and investigative resources to take these cases to court. The consent decree that was entered against the institution has been widely hailed for its innovative and forceful remedies that included one million dollars in damages for 48 African American mortgage applicants who the Department alleged were denied loans because of their race.

Last February, James P. Turner, Acting Assistant Attorney General of the Civil Rights Division, testified before this committee about the *Decatur* case, so I will only briefly summarize the lessons the Department learned from that case. *First*, mortgage lending on the basis of race or national origin can exist in spite of the fact that management of the lending institution has adopted clear policies against such discrimination. Branching, marketing, advertising, hiring, appraising, underwriting, and compensation schemes for loan originators, all figure in the determination whether an institution is denying credit needs on the basis of race or national origin. *Second*, statistical methods can reveal whether institutions that reject minority applicants at higher rates than white applicants have discriminated on a prohibited basis. Statistical analysis has been used by the Department to establish violations of civil rights laws in other fields for many years. While it can be expensive and often require an analysis of large numbers of files, its power of persuasion in the courtroom cannot be denied.

II. ENFORCEMENT INITIATIVES AFTER DECATUR

The investigation that preceded the *Decatur* lawsuit was the first in-depth analysis of a lending institution to determine whether its policies were racially discriminatory. Many institutions across the country exhibit characteristics similar to those that attracted us to Decatur. The Home Mortgage Disclosure Act (HMDA) statistics for many banks and thrifts continue to show significantly higher rejection rates for black and Hispanic mortgage applicants than white applicants. The HMDA data also show that many financial institutions—including many non-bank mortgage companies—make significantly fewer mortgage loans and have much smaller market shares in predominantly minority neighborhoods than white neighborhoods.

These statistics are of great concern to us and I am sure to the other agencies with enforcement responsibilities in this area.

Many bankers contend that the higher rejection rates for minority applicants can be explained by differences in credit worthiness, and that lower loan origination rates in minority neighborhoods are also attributable to a reduced demand for mortgage loans in those neighborhoods. Our lawsuit against *Decatur* has sharply called into question this response to these charges.

In addition, within a month of our filing of the *Decatur* case, the Federal Reserve Bank of Boston released a study of 131 banks in the Boston area which showed that the higher rejection rates of black and Hispanic applicants for home mortgage loans could not be explained by differences in the qualifications of the credit applicants. After controlling for those differences, black and Hispanic home mortgage applicants were still 56 percent more likely to be denied a loan than similarly situated white applicants. In the wake of the *Decatur* case and the Boston study, the emphasis must be on bold, vigorous law enforcement and working with institutions to help them improve their service to minority communities.

A. The Need for Coordinated Enforcement Strategies

If we are to mount a successful program to end discrimination in lending, all of the Federal agencies with enforcement responsibilities in this area must work together. We can and must do more to develop close cooperation between the agencies and this Department. I look forward to working closely with Secretary Cisneros and others at the Department of Housing and Urban Development to develop more effective enforcement strategies. The Comptroller of the Currency, Eugene Ludwig, has become a powerful voice within the administration for dramatic change in the way the financial regulatory agencies should approach their fair lending compliance investigations. This fight cannot be won, however, without the full participation and assistance of the Federal Reserve Board, with its vast knowledge of the lending industry and cadre of trained economists and examiners. It is to be applauded for the Boston study, and we look forward to the cooperation of Governor Lindsey and others at the Board, as well as our colleagues at the other regulatory agencies, in meeting the challenge to end lending discrimination.

Beginning in November 1991, the Department of Justice convened a series of meetings with representatives of HUD, the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, and the Federal Trade Commission. Historically, the Department had received very few referrals of alleged mortgage lending discrimination from the regulatory agencies, and the Department's experience in Atlanta showed that such discrimination was difficult to detect. At the November 1991 meeting and during subsequent meetings, our lawyers shared in detail our approach to developing a pattern or practice race or national origin discrimination lawsuit against a large mortgage lender like *Decatur Federal*. In our view, the lending industry should be subjected to the type of investigation that our Department has conducted for many years in other civil rights areas, including the review of all components of an institution's operation over an extended period of time. It is particularly important to focus on the lender's marketing, branching, and advertising practices. We have also concluded that examination of a small number of loan application files is unlikely to uncover disparate treatment of minorities. Most lenders will have a ready explanation for every individual loan they make and reject. A statistical analysis of a large number of loan files is often the only way to establish whether the lender has engaged in a pattern or practice of disparate treatment.

Proving an individual claim of discrimination, as distinguished from a pattern or practice claim, may not require extensive statistical analysis. In an individual case, it is easier to compare the applicant's treatment with the published standards or even to examine a sampling of files to evaluate disparate treatment. But the task becomes exceedingly more complex when we allege that the institution has engaged in a pattern or practice of discriminatory treatment of loan applicants.

We have continued to meet with representatives of the regulatory agencies to discuss coordinated enforcement options. In his appearance before this committee in February, Acting Assistant Attorney General Turner noted that in June 1992, the Department considered joint investigations of lending institutions with the regulatory agencies and engaged in several discussions with them about this approach. We felt that our staff could profit from the regulators' knowledge of the industry, and they could profit from our experience in civil rights investigations. Also, the human resources of the agencies, with their many hundreds of trained examiners, joined with our lawyers could have a dramatic impact on the problem, and eliminate the unnecessary duplication of efforts. Other practical and fiscal considerations also

were evaluated. For example, the regulators have broad authority over their supervised institutions which enable them to compel the production of records that might be relevant to an investigation, and even to require the institution to analyze those records to determine if discrimination occurred. Our experience in Atlanta teaches that several hundred thousand dollars could be saved if this authority was used in fair lending investigations.

I am very pleased to announce today, along with Secretary Cisneros, that HUD and the Department of Justice have agreed to conduct joint investigations of financial institutions that may be engaging in discriminatory lending practices. This effort will focus particularly on independent mortgage companies, which are not regulated directly by any of the Federal financial regulatory agencies. We intend to share our staffs and resources in conducting these investigations and to work more closely in other areas of fair lending enforcement, such as evaluating the results of testing programs funded by HUD. We may also enlist HUD's subpoena power under the Fair Housing Act, where necessary, to obtain access to bank records.

As noted, we have also discussed the concept of joint investigations with the regulatory agencies. More than a year ago we did supply the agencies with a list of approximately two hundred banks in selected cities that might be appropriate targets for investigation, and we asked the agencies to give us their views as to the institutions that should be targeted. The Comptroller's staff shared with us its views as to appropriate targets, but preferred to conduct the initial investigation on its own with the understanding that all patterns or practices of discriminatory conduct would be referred to the Department of Justice for appropriate action. The Comptroller has told us his agency's investigative targets, and we are aware that OCC examiners are conducting a significant number of fair lending reviews in diverse areas of the country. We have not received a response from the other regulatory agencies regarding our proposal for joint investigations, nor their views regarding institutions under their supervision that might be investigated by the Department of Justice.

We appreciated the Comptroller's leadership in this area and acceded to his request to conduct independent investigations. He clearly has emphasized the need for improved and more thorough fair lending examination procedures, and has requested our views regarding how the procedures can be improved further. Our suggestions centered primarily on the need for more detailed statistical analysis to detect disparate treatment, and the importance of probing the history of the institution's branching, marketing, and advertising practices. The quality of the expected referrals from the OCC will be the best test of the new examination techniques, and the Comptroller has assured us that his agencies will be prepared to conduct additional investigation and analysis if our lawyers believe that to be necessary. This, in my view, reflects a good level of cooperation between government agencies, and we will continue to work with the other agencies to develop a better overall enforcement effort.

B. Current Enforcement Initiatives

In the circumstances described, we will rely on two methods to develop and file lawsuits alleging a pattern or practice of mortgage lending discrimination. First, we will pursue our independent authority under the Fair Housing Act and the Equal Credit Opportunity Act to initiate pattern or practice lending discrimination investigations, as we did in the case of Decatur Federal. We believe that it is essential that our Department and HUD vigorously pursue such investigations. We have recently initiated two race discrimination investigations of large lenders that, like Decatur, operate in metropolitan areas with significant minority populations. We also have underway several preliminary investigations of lenders in other large metropolitan areas. We are looking into several mortgage lenders that operate in rural areas with significant minority populations. And we are eager to begin our joint efforts with HUD.

The second method for developing new cases is through referrals from the regulatory agencies. Late last year, we received a referral arising from the Federal Reserve study of lending practices in Boston. That investigation is ongoing.

I mentioned earlier that the quality of referrals would be the best judge of the OCC's new efforts, and we are pleased with the referrals that we have received to date. OCC recently referred to us a pattern or practice race discrimination matter that, while not presenting home mortgage issues, was well investigated, documented, and presented. The referral currently is being reviewed for possible litigation. We also received three referrals involving age and sex discrimination from the OCC, which had been well investigated. We concluded that they could best be handled administratively.

We received referrals from the FDIC of three relatively small banks and a referral of another small bank from the Office of Thrift Supervision that they suggested may have engaged in discriminatory practices on the basis of race or national origin. We returned the three FDIC cases to the agency for further review. The OTS referral involved an institution that is abandoning its charter. That matter also will be returned to the agency.

C. Expansion of Our Enforcement Program

The number of pattern or practice suits we file will depend on a variety of factors, including the progress of the regulatory agencies and the cooperation of lenders in providing us with full access to necessary records and files. Most of the lenders we are investigating have been cooperative in providing us with access to such information, but we have experienced some difficulties. Of course the regulators can compel the production of information that we cannot. HUD also has important subpoena authority pursuant to the Fair Housing Act.

Investigations that do not require complex statistical analysis, such as investigations of institutions serving black or Hispanic populated areas but receiving few applications from persons in those groups will be much less costly. Investigative techniques such as testing can be used at the intake screening stage. But in those instances where full-scale analysis is necessary to determine whether the institution is operating in a discriminatory manner, the required analysis will be expensive. We are unaware of any shortcuts. We will, therefore, focus our resources on bringing lending discrimination lawsuits, such as *Decatur*, that are likely to have the greatest impact in the industry. The *Decatur* case has had a resounding effect. Many lenders have adopted voluntarily remedies contained in the *Decatur* decree.

In recognition of the importance of attacking unlawful housing and lending discrimination, I believe it necessary to increase the resources of the Housing and Civil Enforcement Section of the Civil Rights Division. The 1988 amendments to the Fair Housing Act imposed new enforcement responsibilities on this Section. Those amendments significantly increased the coverage of the Act by adding both handicap and family status as prohibited criteria for making housing decisions. They also require that Department of Justice attorneys handle all individual fair housing complaints that HUD charges administratively if either party elects to have the case heard in Federal court. These changes to the Act, combined with our vigorous enforcement efforts, have resulted in a seven-fold increase in the number of new filings of housing discrimination lawsuits compared to the years preceding the amendments. In addition, the Section is pursuing several new initiatives in the pattern or practice area, including using testers to detect systemic bias in the rental market, and the commencement of insurance redlining investigations.

While these added responsibilities pose new and exciting challenges to our mission to enforce the Fair Housing Act, we can and must do more to combat discrimination in lending. To meet that commitment, I have decided to increase the staff of the Housing Section by a total of 18 new positions, which will come from a reallocation of about \$1.1 million within our FY 94 budget. These resources will be applied within the Civil Rights Division once the statutory congressional notification process for proposed transfers of funds among Justice appropriations accounts has been completed. I have also asked that our United States Attorneys make their staffs available to handle some of the Fair Housing Act cases in their jurisdictions. This will allow the Housing Section to devote more of its resources to lending discrimination cases, and to pursue the new testing and insurance redlining initiatives.

D. Voluntary Compliance

I want to add, however, that our approach to solving this problem is not limited to litigation. *Decatur* and the Boston study have already shocked the industry, and we have devoted substantial resources to assisting banking and other lending institutions and associations to instruct their members on how to eliminate unlawful practices. We encourage the industry to conduct its own self-assessment, and our litigation policies will grant favor to institutions that have acted voluntarily to eliminate unlawful practice. We take this approach because our own experience in conducting investigations confirms that, in most instances, lending institutions condemn discrimination on the basis of race or national origin, and, until recently, were unaware of how unlawful practices can creep into their method of operation. Thus, we will work with the industry to the maximum extent possible to assist in the voluntary elimination of discriminatory practices. President Clinton's Community Reinvestment Act initiative, now being implemented by the regulators, is important as both an affirmation of the administration's commitment to fair lending and a tool to achieve our goal of non-discriminatory service to all people and all communities. But for those institutions who do not heed the message and continue to implement

discriminatory policies, we will use our full authority under the law to challenge them and to obtain appropriate punitive sanctions.

In closing, I am deeply committed to eliminating considerations of race or national origin from home mortgage lending. This effort has proven and will continue to be difficult, but the struggle can be won if all of us work together. We are not there yet, but I assure you that I will use all of my energy to see that our objective is achieved.

Mr. Chairman, that concludes my formal remarks. I would be happy at this time to respond to any questions that you may have.

STATEMENT BEFORE THE U.S. SENATE BANKING
COMMITTEE



by

SECRETARY HENRY G. CISNEROS

Washington, D.C.
November 4, 1993

Thank you, Mr. Chairman, for giving me the opportunity to speak to your committee this morning on a matter of such importance as ending discrimination in our nation's housing finance system. You have been a great champion of fair lending, Senator Riegle, and your record of accomplishment in promoting strong legislation for community reinvestment is one for which you should be justifiably proud. I am told that your Senate office was once occupied by Robert F. Kennedy when he served in the Senate. Whoever next occupies that space will have not one but two grand traditions to live up to—two great Senators fighting hard for civil rights, equal opportunity, and strong support for urban America, Bobby Kennedy and Don Riegle.

I look forward to working with you in the coming year to advance the many vital initiatives needed to revitalize our communities. Also, and equally important, I wish your grandson a speedy recovery.

Mr. Chairman and Members of the committee, mortgage lending discrimination on the basis of race and gender is both illegal and immoral. In today's world, the availability of credit is a necessity of life just as surely as a roof over one's head. It directly affects where people live and work, their opportunities for a decent livelihood, and where their children go to school. To be denied credit can seriously disrupt the health, economic vitality, and cohesion of families.

Mortgage discrimination also hurts our economy. Federal Reserve Board Chairman, Alan Greenspan, recently observed that if we could reduce discrimination in lending it would increase good, profitable business for lenders, and at the same time help stimulate the economy through more home sales, housing construction and renovation.

During the past few years many research studies have documented the pervasiveness and persistence of mortgage discrimination in our country. These studies include the landmark analysis by the Federal Reserve Bank of Boston, Jonathan Brown's research on "Racial Redlining", the Pulitzer-Prize winning series by the Atlanta Constitution on "The Color of Money," plus several key academic reports and newspaper investigations compiled by your committee last year. An essential element of all this research is the availability of data made possible by the Home Mortgage Disclosure Act.

This week the Federal Reserve Board officially releases 1992 data compiled through the Home Mortgage Disclosure Act. Governor Lindsey will present key findings here this morning, and I leave it to him to present the detailed numbers. The availability of this data is extremely valuable, not only for the Government, but for the private sector and community groups. It confirms the original wisdom of the Congress in passing the law in 1975 and expanding its coverage in 1989.

The basic message of the 1992 HMDA data is a disappointing one. It tells us that discrimination is still alive and well in America. To cite just one statistic: denial rates for conventional home purchase loans are much higher for African-Americans and Hispanic-Americans than for whites—36 percent, 27 percent, and 16 percent, respectively. We cannot allow these wide disparities to continue for any group of people.

Mr. Chairman, how many more years will we be sitting here reviewing annual data that tell us we must take action? Let us move even more vigorously to act now, so that next year and in the future we will see more dramatic progress in the right direction. Recently I went to Vidor, Texas to take over a public housing authority that violated the law by openly engaging in racial discrimination. In the Clinton administration we believe that private lenders should be held to the same standards of justice as public housing authorities.

The message on fair lending from the Clinton administration is simple and clear: *We are changing the way we do business, and we mean business.* Today, Attorney General, Janet Reno, and I are announcing a new fair lending law enforcement agreement between HUD and the Justice Department. Both agencies will expand their resources and staff for enforcing fair lending laws and regulations, and we will coordinate our efforts in conducting investigations, testing, and joint action. Further, the Attorney General and I will meet regularly with Comptroller of the Currency, Eugene Ludwig, and other Federal regulators, to strengthen the administration's focus on enforcing fair lending, home mortgage disclosure, and community reinvestment.

At HUD we mean business by expanding aggressive enforcement of fair housing and lending laws, issuing new regulations, increasing testing efforts, expediting investigations and judicial handling of complaints. We mean business by working closely with the Justice Department, the Comptroller of the Currency and other Federal agencies to enforce fair lending and community reinvestment laws. We mean business by providing funding to fair lending groups through the Fair Housing Initiatives Program.

We mean business by engaging in training for lenders and entering into cooperative marketing agreements with lender associations. We mean business through our Mortgagee Review Board by cracking down on independent mortgage companies for non-compliance with Home Mortgage Disclosure Act reporting requirements and other fair lending laws.

Today I want to talk with you about three areas of HUD activity: (1) the Home Mortgage Disclosure Act; (2) our new fair lending initiatives; and (3) our fair lending activities in cooperation with other Federal agencies.

ENFORCING HMDA

Three principles govern HUD's implementation of the Home Mortgage Disclosure Act: (1) enforcement; (2) accessibility; and (3) innovation.

(1) *Enforcement*

As you know, in 1989 Congress expanded HMDA to cover independent mortgage companies, and HUD was assigned responsibility for collecting data from them. These independent mortgage companies originate FHA insured loans, so we have an ongoing relationship with them.

Our enforcement responsibility is to make sure that all HUD-approved independent mortgage companies report the required HMDA data in a timely and accurate way. Congress has given us a number of tools to ensure compliance, principally through the Mortgagee Review Board chaired by FHA Commissioner, Nicolas Retsinas.

In 1993 the number of HMDA compliance cases before the Mortgagee Review Board more than doubled. HUD's enforcement included the following actions:

- Three cases resulted in a "withdrawal of approval" to the mortgage lender—they no longer can do business with HUD. The decisions were based on the lender's failure to meet HMDA and other FHA requirements.
- Two lenders were put on probation.
- Five lenders were required to pay civil money penalties totaling \$79,000.
- 60 lenders received letters of reprimand for non-compliance with HMDA requirements.
- In 21 cases, HUD entered into settlement agreements with lenders which required them to take certain actions to be in compliance. For these lenders, a second HMDA violation could bring more severe sanctions, including civil money penalties.

Under my tenure at HUD, our message to mortgage lenders is clear: we expect timely, accurate, and responsible compliance with all HMDA requirements, and we will take necessary actions to enforce the law. In other words, we mean business.

In order to improve the record of compliance, HUD makes sure that the mortgage companies know what is expected of them and how to cooperate. That is why we publish and disseminate written guidelines, conduct lender training programs, and actively reach out to meet with lenders and discuss their concerns. Our goal is to have the mortgage companies provide better and more accurate reporting, and engage in fairer and more inclusive lending practices.

(2) *Accessibility*

For HMDA data to be truly effective, it needs to be made accessible to fair housing organizations, community groups, financial institutions, foundations, and universities. We call this "democratizing the data." HUD is taking an active role in consulting with these groups to explore ways that HMDA data can be more easily used and widely circulated.

HUD is also working with the Federal Reserve Board and the other members of the Federal Financial Institutions Examination Council (FFIEC) to substantially increase access to HMDA data. We are particularly interested in the development of new computer software and analytical tools so that HMDA data not only is more accessible but is truly "user-friendly." HUD is encouraging foundations to play a role in funding projects and organizations to promote more accessible and creative uses of HMDA data.

(3) *Innovation*

Once the HMDA data is accessible, it can be used creatively to help government, business, nonprofits, and community residents to identify problems and analyze possible solutions, such as pinpointing areas with special financing needs or investment opportunities. This type of information will not only be helpful to community groups, fair housing advocates, and academics, but to financial institutions. Lenders can improve their own performance by identifying underserved areas and new market opportunities through analyzing HMDA data.

Innovative uses of HMDA data include helping to inform community planning activities, contributing to the Comprehensive Housing Affordability Strategy (CHAS) under the HOME program, or as a tool in the application process for Empowerment Zones. New software and on-line access would allow for easy analysis comparing lender performance for all lenders in a selected geographic area, which can be extremely useful both for community groups and for the lenders.

FAIR LENDING

HUD's role in identifying mortgage lending discrimination and enforcing fair lending laws obviously extends way beyond HMDA. Under the leadership of Roberta Achtenberg, HUD Assistant Secretary for Fair Housing and Equal Opportunity, we have established the following priorities for the coming year:

1. We will strengthen and expand investigation and enforcement of fair lending complaints.

Since Congress strengthened HUD's fair housing and fair lending enforcement powers in 1988, there have been nearly 1,200 lending complaints. The number of complaints received by HUD is rising rapidly, from 123 in 1990 to 481 in 1993. HUD has now completed three-fourths of these cases by requiring the lenders to pay a total of \$1.4 million as compensation to the loan applicants who were discriminated against.

2. For the first time since congressional passage of the fair housing law in 1968, HUD will issue regulations that define violations of law in the areas of mortgage lending and property insurance.

The new regulations will inform HUD investigations and Department of Justice enforcement. They also will serve as a signpost to allow the industry to take voluntary actions, and a guide for the financial regulatory agencies to use in their supervisory role. Further, these regulations will affect mortgage lenders who are not subject to the oversight of other Federal financial regulatory agencies, such as independent mortgage companies or property insurance firms.

3. We will publish regulations governing the fair housing requirements in the programs of Fannie Mae and Freddie Mac. These regulations will have significant impact on the availability of mortgage credit through the secondary market power of these two Government-sponsored enterprises.

4. We will make resources under the Fair Housing Initiatives Program available to private groups for testing lending discrimination.

For example, in 1992 HUD awarded \$1 million in FHIP funds to the National Fair Housing Alliance to conduct pre-application testing in three metropolitan areas. The areas and lenders are being selected based on an analysis of Home Mortgage Disclosure Act data and other factors suggesting the existence of a possible problem, and the results of this testing will be used by a new fair lending office in mid-1994.

Congress recently increased the appropriation available to FHIP—in fact, virtually doubled the funding, thanks to Congressman Louis Stokes and Senator Barbara Mikulski and their colleagues—from about \$11 million in 1993 to more than \$20 million in 1994, which will enable us to continue to expand the FHIP resources available for lending discrimination.

5. We will expand our relationships and promote voluntary compliance with the lending community at the national and local level.

We recognize that there are limited resources for law enforcement, and that eliminating discrimination in home mortgage lending also requires educating and working with lenders. Many studies have documented and some lenders already know from experience that there are good business opportunities in lending to minorities, women, and low- and moderate-income households and neighborhoods.

HUD has met with the leadership of the American Bankers Association and the Mortgage Bankers Association to discuss cooperative efforts that may include establishing voluntary agreements along the lines of HUD's Voluntary Affirmative Marketing Agreements with the National Association of Realtors and the National Association of Homebuilders.

HUD has also held two meetings with a group of Washington D.C. area lenders. These lenders were troubled by a series of articles in the Washington Post indicating that they were not adequately serving the minority community. We asked them to be very specific about what they were doing to reach out to minority purchasers, and they described a variety of actions. HUD developed a list of suggested fair lending programs which they could use as a benchmark to determine whether their own activities were fully affirmative.

We think that our discussions can lead to increased efforts by these lenders to engage in minority outreach and fair lending practices. HUD may work with them to help develop a fair lending strategy for the metropolitan area. We hope to build

on our Washington experience by having local HUD offices convene similar meetings in other cities.

HUD COOPERATION WITH JUSTICE AND OCC—It's TIME TO WORK TOGETHER

HUD's activities to promote fair lending cannot succeed without the active involvement of other Federal agencies. *It is time to work together for a change.* We need to cooperate and assist each other, just as we do with State and local government and community residents. I will meet periodically with Attorney General, Janet Reno, Comptroller of the Currency, Eugene Ludwig, and other Federal financial regulators to make sure our cooperation leads to powerful results. HUD and the OCC have already been working together since last spring, and as Attorney General Reno indicated, HUD and the Justice Department have just begun an exciting new partnership.

HUD and the Justice Department have entered into a new agreement to work together to eliminate unlawful discrimination from the mortgage lending industry. Each Department will coordinate enforcement strategies and cooperate to make the most effective use of staff resources, which will be expanded by both agencies. We will work together to eliminate duplication both in testing and investigations, in some cases through joint efforts, and in all cases through effective coordination and sharing of information and resources. Our joint investigation and enforcement efforts will focus on independent mortgage companies under HUD's jurisdiction that are not covered by other Federal financial regulators. Mortgage bankers, including subsidiaries of financial institutions, originate more than half of all mortgage loans in this country, and most of the FHA loans.

We will also investigate other lenders where appropriate. HUD currently funds pre-application testing in metropolitan areas to detect unlawful lending discrimination. Justice staff can assist HUD to evaluate the test results and determine if legal action is warranted.

HUD and Justice will each draw upon their special powers if a lender being investigated is uncooperative. In these situations joint efforts will be especially fruitful, because the two Departments have different and complementary authority. For example, if an institution will not cooperate with a Justice Department investigation, HUD can use its subpoena power under the Fair Housing Act. Similarly, Justice can help HUD by turning an individual complaint against a lender into a "pattern or practice" lawsuit.

HUD-OCC AND INTERAGENCY INITIATIVES

HUD's agreement with the Justice Department builds upon earlier relations that we have formed with the Office of the Comptroller of the Currency, ably led by Eugene Ludwig.

HUD and the OCC started working together last spring by co-sponsoring a large conference on research and enforcement of mortgage lending discrimination. Following that successful conference, HUD and OCC formed a working group to strengthen the Federal Government's efforts to counter discrimination in mortgage lending.

As a result of the working group's efforts, OCC has agreed to begin testing next spring to determine how testing can most effectively meet their enforcement needs. HUD and OCC also have developed a draft definition of lending discrimination and are working with other Federal financial agencies to strengthen its provisions. We intend to expand the working group to include these other agencies along with the Justice Department.

HUD has also entered into a Memorandum of Understanding with the Federal Reserve Board, Comptroller of the Currency, FDIC, Office of Thrift Supervision, and the National Credit Union Administration. Since then, there have been numerous exchanges of information or referrals between our fair housing office charged with that responsibility and these regulators, resulting in 74 complaints of lending discrimination filed with HUD.

Several complaints were investigated jointly by HUD and OCC. We believe that this cooperation has been effective in minimizing the burdens on banks of overlapping investigations, and assuring that complainants have access to all remedies available to them under the Fair Housing Act.

CONCLUSION

Mr. Chairman, at HUD we have defined five key program priorities for the coming year. Promoting residential choice, fair housing, and equal opportunity in lending and insurance is one of the five. But it is so vital that we cannot accomplish any of the other goals without it. We will be unable to greatly expand affordable housing production and homeownership opportunities and strengthen communities unless we unlock the doors to a financial system that treats all borrowers and communities fairly.

Your committee understands well the close connection between Banking, Housing, and Urban Affairs, as your name so clearly states. They are completely interwoven, just like our HUD priorities. Our initiatives for building better homes and communities will succeed if we can truly put an end to the cancer of discrimination and redlining. In making this change, we will also be building a new and more prosperous America.

STATEMENT OF LAWRENCE B. LINDSEY
MEMBER, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

NOVEMBER 4, 1993

INTRODUCTION

Mr. Chairman, I am pleased to appear before your committee today to present the results of the 1992 Home Mortgage Disclosure Act (HMDA) data. I also will make some remarks about the Federal Reserve's fair lending enforcement efforts.

Discrimination tears at the fabric of our democratic society. For the Federal Reserve, no single consumer issue is of greater concern than assuring that the credit granting process in the institutions that we regulate is free of unfair bias. Fairness in the assessment of credit applications is absolutely critical to our nation's well being. Racial discrimination in particular—no matter how subtle, and whether intended or not—cannot and will not be tolerated.

The Federal Reserve's primary responsibility with respect to the HMDA data is to provide the data processing services for all the agencies under the auspices of the Federal Financial Institutions Examination Council (FFIEC) as a matter of operational convenience.

The responsibility for gathering the HMDA information, and ensuring that institutions follow fair lending practices, is allocated by law to six Federal agencies. Of the more than 9,000 institutions that reported HMDA data in 1992, the Federal Reserve supervised approximately 600. For fair lending compliance—which applies not just to the institutions that file HMDA data, but to all depositories—we supervise about 1,000 of the almost 13,000 banks and thrift institutions.

General Data Description

The most striking feature of the HMDA data for 1992 is the enormous rise in the total number of housing loans applied for compared to earlier years. The HMDA data show that more than 10 million such loans were applied for compared to less than 7 million in 1991 and just 5.2 million in 1990. There is no question that a combination of lower interest rates and an improving and expanding economy in 1992 were the primary explanations for this growth.

The primary source of the growth in the volume of reported home lending activity was a dramatic increase in home refinancing. In 1992, 5.2 million applications for home refinancing were reported compared with just 2.1 million in the previous year. The total number of home purchase loan applications also rose by nearly 300,000. In addition, the number of applications for home improvement loans rose modestly. Not only were the number of applications up but so were the number of approvals. More than 4 million home refinancing loans were approved, 77.7 percent of the total applied for, compared with roughly 1.5 million and a 73.2 percent approval rate in 1991. Home purchase approval rates for conventional loans were also up modestly from 71.2 percent in 1991 to 72.9 percent in 1992. Approval rates for Government-backed loans also rose.

This higher approval rate benefited both black and white applicants. Conventional home purchase loan approval rates rose 1.4 percentage points for blacks and 1.9 percentage points for whites. Government-backed mortgage approval rates rose 2.0 percentage points for blacks and 3.0 percentage points for whites. Of those individuals refinancing their homes, black approval rates rose roughly 6 percentage points while white approval rates rose 4 percentage points. I would point out that these rises in approval rates for refinancings are particularly striking given that the number of applications for both groups more than doubled. And finally with regard to home improvement loans, black approval rates rose 3.5 percentage points while white approval rates rose 1.9 percentage points.

Approval rates also rose across the board for all income groups. Home refinancing loan approval rates rose roughly 4 percentage points for each major income group while home purchase approval rates rose most dramatically for low-income borrowers. The approval rate for applicants with less than 80 percent of the MSA median income went from 59.8 percent in 1991 to 68.9 percent in 1992 for conventional

loans. For Government-backed loans, the same group experienced a rise in approval rate from 66.2 percent to 74.8 percent. Approval rates for other income groups, on the other hand, were up roughly 1 to 2 percentage points.

The disparities between black and white approval and denial rates persist. For example, looking at conventional home purchase loans, about 36 percent of black applicants and 27 percent of Hispanic applicants were denied credit compared to 16 percent of white applicants and 15 percent of Asian applicants—roughly the same as in 1991, although a slight improvement for black applicants. This continues to be a matter of great concern.

Before going on, though, it is important to stress what conclusions can be drawn from the HMDA data. There is no question that the differential denial rates and approval rates for different income groups are troubling. However, the denial rates for applicants categorized by their race or national origin reflect a variety of factors. One factor relates to differences in the proportion of each group with relatively low incomes. In 1992, 21.0 percent of the white applicants for conventional home purchase loans had incomes that were less than 80 percent of the median family income for their MSA. The comparable percentages for blacks, Hispanics, and Asians were 37.1 percent, 27.6 percent, and 16.1 percent respectively.

Although the distribution of applicants by income may account for some variation among racial groups in loan disposition rates looking at the 1992 HMDA data, other factors account for most of the difference. Differences in income do not completely explain it. This conclusion is evident because, after controlling for income, white applicants for conventional home loans in all income groupings have lower rates of denial than black and Hispanic applicants. In fact, the denial rate of 21.1 percent for whites in the lowest income category (less than 80 percent of the MSA median family income) is the same as for blacks in the highest income category (more than 120 percent of the MSA median family income).¹

Differential treatment on the basis of race and national origin may contribute to the variation, but it too does not fully explain the disparities in denial rates across racial and ethnic groups. For example, the study by the Boston Reserve Bank of lending patterns in Boston concluded that, after controlling for all known financial factors, race and national origin appeared to account for differences in denial rates among applicants. At the same time, the study *also* concluded that differences in income together with other financial characteristics alone would have caused black and Hispanic applicants to be denied credit at nearly twice the rate of white applicants.

The Boston Study highlighted the limitations of interpreting the HMDA data. Such limitations do not in any way diminish the importance of assuring equal access to credit for all Americans. The data merely point out the problems with relying on purely statistical analysis in reaching conclusions about the fairness of lending decisions. As I will note later in my remarks, the approach taken by the Federal Reserve and other agencies in developing new analytic techniques for investigating lending bias strike a balance between traditional investigative techniques and computer-assisted statistical analysis. In particular, we use statistics to identify specific loan files that are suspicious and require further investigation. However, statistics alone can never and should never be used as the sole criterion for determining whether discrimination exists in a particular institution.

The Disclosure Process

Under HMDA, most mortgage lenders with offices in metropolitan areas, including independent mortgage companies, disclose information on the disposition of home loan applications and on the race or national origin, gender, and annual income of loan applicants and borrowers. Lenders also disclose, for loans originated or purchased during a year, the loans they sold, classified by the type of secondary market purchaser, and may indicate the reasons for denial of other applications.²

Covered institutions record separately, for each loan application acted on and each loan purchased, the items of information required by the Federal Reserve Board's Regulation C. Lenders submit this information to their respective Federal regulator, which then sends the data to us for processing. Acting through the Federal Reserve, the FFIEC produces disclosure statements for each covered lender to make available to the public, plus an aggregate report for each metropolitan statistical area (MSA).

¹ In the highest income category, the denial rate was 8.8 percent for whites in 1992; the denial rate for blacks in the lowest income category was 36.0 percent.

² Expanded data collection was required pursuant to amendments to HMDA in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). The expansion in coverage of mortgage companies came with FIRREA and with the amendments to HMDA in the Federal Deposit Insurance Corporation Improvement Act of 1991.

These reports show the overall lending activity for covered lenders in each MSA and, together with the individual disclosure statements for lenders active in a given MSA, are available to the public at central data depositories. This information is also made available to the public in libraries throughout the country.

In addition to the print versions of the disclosure statements and aggregate reports, the FFIEC makes HMDA data available to the public in other forms. For instance, the HMDA reports or underlying data are available on microfiche, computer tape, PC diskette, and soon will be provided on CD-ROM. The CD-ROM format should be much more manageable than paper and microfiche for many users—especially those who view the data at central depositories—and will offer selections for viewing the data by MSA or by institution.

Quality of the Data

It'd like to say a few words about the quality of the HMDA data. Over the years, we and the other agencies who process HMDA data have had concerns about errors in the data that are submitted to us. By and large, errors can be traced to the data submitted (such as a lender's recording incorrect census tract numbers), although a few may arise during the agencies' data entry of loan register data submitted in hard copy. In the past three years, we have improved our capability to identify errors. As a result, we have succeeded in reducing the data errors in computer records from roughly 5 percent in 1990 and 1991 to less than one-half of one percent now.

There are other types of errors that we are unable to identify at the processing stage. It is difficult to know, for instance, whether a financial institution has incorrectly identified the race of the applicant or has entered a census tract number that is valid but that is not correct for the property location to which the loan relates. Such errors evade our centralized data quality checks. Our examiners have stepped up their efforts to detect these problems during bank examinations, and we require institutions to correct and resubmit their HMDA data when we find errors. Financial institutions are strongly encouraged to ensure that they report accurate information; we help them by providing software with edit-check capabilities and through distribution of the FFIEC's publication, "A Guide to HMDA Reporting: Getting it Right!"

DETAILED RESULTS OF THE 1992 HMDA DATA COLLECTION

The 1992 HMDA data reflect information submitted by 9,073 lenders, including 5,468 commercial banks, 1,395 savings and loan associations, 1,706 credit unions, and 504 mortgage companies (of which 224 were unaffiliated with a depository institution). The number of lenders disclosing data fell about 3 percent from 1991, a reflection of acquisitions, mergers, and failures.³ But while the number of reporting institutions fell, the total number of applications and loans reported increased by more than 50 percent, from 7.89 million in 1991 to 12.01 million in 1992. Much of the increase was due to refinancing activity.

Volume of Applications and Loans

In 1992, lenders covered by HMDA acted on roughly 10.03 million home loan applications—3.54 million for purchasing, 5.22 million for refinancing, and 1.24 million for improving dwellings for one to four families, and the balance for loans on multi-family dwellings for five or more families.⁴ Nearly 78 percent of the reported applications for home purchase loans were for conventional mortgage loans; the remainder were for Government-backed forms of credit—loans insured or guaranteed by the Federal Housing Administration (FHA), the Veterans Administration (VA), or the Farmers Home Administration (FmHA). The predominant reason for the substantial increase in volume of home loan applications reported in 1992 was the growth in refinancing activity. Spurred primarily by lower interest rates, the volume of applications to refinance an existing mortgage loan increased in 1992 by almost 150 percent over the previous year. The growth in refinancings also reflects innovations in the market place, including the greater availability of "no-fee" loans and more efficient processing of applications that helped reduce closing costs.⁵ Among the different racial and ethnic groups, the increase in 1992 applications for conventional loans by Asians was 5 percent; by blacks 22 percent; by Hispanics 8 percent;

³The total number of reporters will be higher for 1993, given the increased number of independent mortgage companies that will report lending activity as a consequence of changes in coverage that took effect January 1, 1993.

⁴In addition to applications, lenders also reported data on 1.98 million loans they purchased during 1992 from other institutions.

⁵"No-fee" loans are those where the consumer incurs no out of pocket expense to pay either closing costs or discount points on the loan. Such loans are often written with a higher interest rate to compensate.

and by whites 17 percent. Applications for Government-backed loans decreased by roughly 5 percent for each group.

The conventional mortgage share of all reported home purchase loan applications increased by roughly 4 percent from 1991 to 1992. This change in market share reflects a substantial decline in FHA activity. In 1991 the FHA accounted for 20.4 percent of all purchase loan applications and 20.5 percent of all home purchase loans. In 1992 these shares were 15.7 percent and 16.3 percent respectively. Recent increases in the cost to homebuyers using FHA loans, and greater availability of conventional loan products designed to reach low- and moderate-income homebuyers, likely account for the reduced reliance on FHA loans.

Despite this decline, the FHA program is favored by many thousands of households, particularly among first-time homebuyers. For instance, in 1992 almost half of the homebuyers using section 203(b) FHA loans (the principal type of FHA single-family mortgage loan program) were first-time homebuyers. The proportion had been even higher in 1991, when 57 percent of the FHA borrowers were first-time homebuyers.⁶ On the other hand, the program is used infrequently to refinance existing home loans. Historically, FHA loans have accounted for only 3 to 4 percent of the refinancings annually. In 1992, FHA loans accounted for 3.7 percent of the 3.95 million refinancing loans reported by lenders covered by HMDA. One can surmise that households refinancing a loan often have accumulated sufficient equity in the home and no longer need the FHA's low-downpayment feature.

Use of Various Loan Products for Home Purchase

In 1992, 33.4 percent of home purchase loan applicants with low incomes (income less than 80 percent of the median family income for their MSA) applied for Government-backed loans, compared with 13.2 percent of applicants with high incomes (income more than 120 percent of the median family income for their MSA). The greater reliance of lower-income households on Government-backed loans reflects several factors. For instance, low-income households are much more likely to have limited money available to meet downpayment and closing cost requirements; hence, they are much more likely to use Government-backed home loan programs. Conversely, the maximum limits on FHA loan insurance make this program less useful to households seeking to buy expensive properties.

Among the racial groups, blacks are much more likely to seek Government-backed home purchase loans than other groups. In 1992, 41.2 percent of black applicants who applied for a home purchase loan sought Government-backed loans; the comparable figures for Hispanics, whites, and Asians were 31 percent, 20.9 percent, and 10.6 percent respectively. These differences among racial groups are not entirely attributable to differences in income. For instance, among low-income loan applicants, 53.3 percent of blacks sought FHA or VA loans, while only 40.4 percent of Hispanic applicants, 31.2 percent of white applicants, and 21.7 percent of Asian applicants applied for a Government-backed loan.

Disposition of Loan Applications

The 1992 HMDA data continue to show that lenders approve most home loan applications, particularly for buying a home or refinancing an existing loan. In regard to home purchase loans, lenders approved roughly 72.9 percent of applications for conventional financing and 74.1 percent of applications for Government-backed financing. For refinancings, they approved 77.7 percent of the applications.

A comparison of the 1991 and 1992 HMDA data indicates that, nationally, denied applications for conventional home purchase loans declined somewhat, dropping from 18.9 percent in 1991 to 17.8 percent in 1992. Denial rates also were slightly lower in 1992 for applications for Government-backed home purchase loans and for home improvement loans. For refinancings, on the other hand, denial rates dropped significantly—from 15.9 percent in 1991 to 12.4 percent in 1992. In general, low interest rates in 1992 coupled with relatively stable home values made homeownership more affordable in 1992 than in 1991 and may account for the lower denial rates. In addition, innovative mortgage loan programs by many lenders and greater use of affordable home loan programs sponsored by secondary market institutions also may have contributed to the decline in denial rates.

Disposition Rate for Different Groups of Applicants

The rates of approval and denial vary considerably among home loan applicants grouped by their income and racial characteristics. Nationwide in 1992, 80.5 percent of the applicants for conventional home purchase loans who are in the highest in-

⁶Characteristics of FHA Single-Family Mortgage: Selected Sections of National Housing Act, U.S. Department of Housing and Urban Development, 1991.

come grouping were approved for loans, compared to 68.9 percent for the lowest income grouping. A similar relationship between approval rates and applicant income is found for other types of home loans, including Government-backed home purchase loans and loans for refinancing and for home improvement.

As in previous years, the 1992 HMDA data show that greater proportions of black and Hispanic loan applicants than of Asian and white applicants are turned down for credit. Consistent with these findings, the data also indicate that the rate of loan denial generally increases as the proportion of minority residents in a neighborhood increases.

Nationwide, for conventional home purchase loans, 35.9 percent of black applicants, 27.3 percent of Hispanic applicants, 15.9 percent of white applicants, and 15.3 percent of Asian applicants were denied credit in 1992. By comparison, the denial rates nationwide in 1991 for conventional loans were 37.4 percent for blacks, 26.5 percent for Hispanics, 14.9 percent for Asians, and 17.3 percent for whites.

The numbers for Government-backed loans reflect somewhat lower rejection rates than for conventional loans. In 1992, 23.8 percent of black applicants, 18.5 percent of Hispanic applicants, 13.5 percent of Asian applicants, and 12.8 percent of white applicants were denied credit. In 1991, by comparison, the rates of loan denial were 26.4 percent for blacks, 18.9 percent for Hispanics, 16.3 percent for whites, and 12.5 percent for Asians.

Changes in the Amount of Lending by Income and Race

In recent years, lenders have targeted low- and moderate-income households and those seeking to buy homes in low- and moderate-income neighborhoods. Often such applicants have the necessary income to purchase homes in the price range they seek, but lack the money to meet traditional downpayment and closing cost requirements. In some special programs, such as those sponsored by Fannie Mae and Freddie Mac, loan underwriting guidelines have been made more flexible. For example, these agencies' Community Homebuyers Programs have reduced the amount that must come from the applicant's own funds to cover the downpayment and closing costs, and lenders may take into account rent and utility payment records in lieu of other credit history information.⁷ Other lender programs also target households with low asset levels, and help keep monthly payments within the borrower's reach by waiving the usual requirements for private mortgage insurance on these very low downpayment loans.

It is difficult to gauge how much these targeted loan programs have increased homebuying opportunities for low- and moderate-income households. Our analysis of the 1992 HMDA data does, however, reveal a 27.1 percent increase in conventional home purchase loans to applicants from the two lowest income groupings (borrowers whose incomes were below the median family income for their MSA). The number of conventional loans to borrowers from the two highest income groupings (borrowers whose incomes were equal to or greater than the median family income for their MSA) also increased, but by a more modest 12.3 percent rate.

We have seen some change in the volume of conventional home purchase loans to different racial groups from 1991 to 1992. Blacks had the largest growth in the number of loans received, increasing by 25.9 percent from 1991 to 1992. The increase in loans extended to white households was a substantial 20.5 percent; the increases for Hispanics and Asians were a more modest 7.6 percent and 5.6 percent respectively. The number of loans made to minorities is not necessarily large, however. For example, out of a total of 1,896,000 conventional loans made in 1992 to the four largest racial or ethnic groups, whites received 1,582,030, Asians received 68,416, Hispanics received 66,995, and blacks received 56,516.

For each group, the largest percentage gains in conventional home purchase loans occurred among homebuyers with incomes below the median family income for their MSA. For example, among blacks whose incomes were below the median, the increase was 33.9 percent. The percentage changes for whites, Hispanics, and Asians in this income group were 28.2 percent, 25.4 percent, and 42.2 percent respectively.

CONTINUING EFFORTS TO ELIMINATE LENDING DISCRIMINATION

The HMDA reports reveal that credit history problems and excessive debt levels relative to income are the reasons most frequently given for credit denials. But specific information for applicants—on their level of debt, debt repayment record, employment experience, and other factors pertinent to an assessment of credit risk—

⁷ Other changes in the underwriting guidelines pertain to the treatment of nontaxable income and income from seasonal part-time or second jobs, income continuity and job stability, debt-to-income ratios, the appraiser's neighborhood and home improvement analyses, and property condition.

is not available from the HMDA data. Nor do the HMDA data tell us about the specific underwriting standards used to assess prospective borrowers' applications. There is a popular tendency to assume that high denial rates are the result of unfair bias. In fact, the HMDA data by themselves do not give us a sufficient basis for assessing the fairness of the loan process, or whether fair lending laws have been violated. The HMDA data do, however, provide a valuable tool to begin the inquiry into this question.

If you read the HMDA data on denial rates for minority applicants as synonymous with lending discrimination, then the similarities in each year's HMDA data would suggest that lending discrimination may be intractable. I do not believe that to be the case. But it will take new and increased measures to prevent, root out, and eliminate the problem. Such measures to deal with the problem, both directly and indirectly, are under way—among all the regulatory agencies—through enhancing examiner capabilities for detecting fair lending violations by financial institutions, increasing public information about discrimination in lending, and reforming the Community Reinvestment Act regulation.

Fair Lending Enforcement

In our program for enforcing fair lending, the Federal Reserve follows a coordinated approach. It focuses on examining for compliance with fair lending laws, and more broadly on assuring that credit is made available to low- and moderate-income areas, including those with substantial minority populations. Our approach also encompasses an aggressive program to investigate consumer complaints, provide consumer and creditor education, and gain insight through research.

Let me describe each segment briefly. In the research area, the study by the Federal Reserve Bank of Boston is well known. In my view, that study, released in October 1992, has done more than any other single effort to advance our understanding about fair mortgage lending and to suggest ways for us to attack the problem. It served to shift the focus, I believe, from an ongoing debate on whether unlawful discrimination exists in the mortgage markets to a concerted effort on the part of financial institutions, the regulatory agencies, and members of the public to search for ways to eliminate discriminatory practices.

Other research pieces—on HMDA data, household debt, credit shopping practices, the secondary market, and other related subjects—also have advanced our knowledge. And last week, the Federal Reserve released a comprehensive report to the Congress that compares the risks and returns of lending in low-income, minority, and distressed neighborhoods with those in other communities.

In regard to enforcement, the Federal Reserve System has oversight responsibility for approximately 1,000 State member banks. We have a comprehensive program of consumer compliance examinations, established in 1977, that are carried out by specially trained examiners. The scope of these examinations includes the Equal Credit Opportunity and Fair Housing Acts, and from the beginning our examiners have been trained to place special emphasis on problems involving potential discrimination of the kind prohibited by those statutes.

The Federal Reserve examines every State member bank at periodic intervals and on a regular basis. On average, about two-thirds of State member banks are examined each year for compliance with the fair lending and consumer protection laws. In general, examinations are scheduled every eighteen months for banks with a satisfactory record. For a limited number of banks with exceptional records, examinations take place every two years. Those banks with less than satisfactory records are examined every six months or every year, depending on the severity of their problems.

The examination procedures focus primarily on comparing the treatment of members of a minority or protected class with other loan applicants. First, the examiner reviews the bank's loan policies and procedures by looking at bank documents and interviewing lending personnel. The examiner seeks to determine, among other things, the bank's credit standards, and then—using a sample of actual loan applicants—to determine whether bank personnel have applied those standards uniformly. Special note is taken of applications received from minorities, women, and others whom the fair lending laws were designed to protect. The examiner looks at the same information the bank used to make its credit decision, including credit history, income, and total debt burden. If the bank's credit standards appear not to have been followed, or not applied consistently, these findings are discussed with lending personnel and a more intensive investigation is undertaken. Finally, an overall analysis of the bank's treatment of applications from minorities, women, and others within protected classes is conducted to identify any patterns or individual instances that might indicate applicants were treated less favorably than other loan applicants. When we find violations through any of these techniques, we will require

correction by the institution, notification to the applicant, and referral of the matter to the Department of Justice or HUD in appropriate cases.

Another important part of the examination involves talking with people in the community knowledgeable about local credit needs. Federal Reserve examiners routinely ask members of the community, local government officials, and the like about perceptions of credit availability for minorities and low- and moderate-income persons. The answers may suggest that a particular area of the bank needs additional scrutiny; and may provide insights into how the bank is serving the credit needs of its local community, particularly among those protected by the anti-discrimination statutes.

But as you know, even with these procedures, it is difficult for our examiners to find evidence that we can be sure proves racial discrimination. Consequently, we have been searching for ways to provide them with better detection tools. Recently, the Federal Reserve System developed a computerized statistical model for using HMDA data in the fair lending portion of the examination, and we have shared this tool with the other financial regulators. I believe the model we have developed has the potential to be a substantial step forward, though we are still making adjustments to make sure it works as we want it to.

Starting with the HMDA data, the model allows the examiner to select more expeditiously a sample of loans for review. Ultimately, it enables us to match minority and non-minority pairs of applicants with similar credit characteristics, but different loan outcomes, for a more intensive fair lending review than would otherwise be possible for the examiner to make. Once the pairs are selected, examiners reexamine the credit files for the individual applicants to determine if discrimination may have played a part in reaching different outcomes. Our field tests of this "regression analysis" program have demonstrated its promise. We are working to refine the model, reduce the level of examiner resources that have been needed in some examinations, and implement the program throughout the Federal Reserve examination system. While such comparisons of minority and majority applicants have always been a part of the Federal Reserve's fair lending examination, we believe that this computerized selection process will enable examiners to better focus their efforts and spend their time more effectively on the actual fair lending review of loan files.

In addition to this "micro" use of the HMDA data, the Federal Reserve has developed, after discussions with the FFIEC constituent agencies, a computerized system for analyzing the expanded data collected under HMDA. The system is versatile and allows the data to be segmented by demographic characteristics such as race, gender, and income levels, or geographic boundaries. Examiners can now sort through vast quantities of data to focus attention on data for specific lending markets and to compare an individual HMDA reporter's performance against that of all lenders in the area. They can more readily determine whether a bank is effectively serving, through mortgage and home improvement lending, all segments of its market, including low- and moderate-income and minority neighborhoods. And examiners can use this information to get a profile of the bank before they begin their examination, which gives them a head start in their investigation. We have been holding HMDA training sessions on how to use this system around the country for our examiners, as well as those from other agencies.

The Federal Reserve has also developed the capability to map by computer the geographic location of a bank's lending products, including mortgage loans. The mapping integrates demographic information for the bank's local community. We believe that this type of analysis and presentation will enhance our ability to assess a bank's CRA performance in meeting the credit needs of its local community, including minority areas. The mapping should also be helpful in evaluating a bank's geographic delineation of its local CRA service area to ensure that it does not exclude low- and moderate-income neighborhoods.

As you know, at President Clinton's behest, the financial regulatory agencies also are currently at work revising the regulations that implement the Community Reinvestment Act. One of our main goals with CRA reform is to make the standards used to judge lenders' performance more clear and objective. We are also trying to make sure that unwarranted paperwork and unnecessary regulatory burden are eliminated and that the focus of our efforts is clearly placed on the lending results achieved. The CRA obligates financial institutions to ensure that they are helping to meet the credit needs of their entire community, including low- and moderate-income areas. They cannot effectively meet this standard under the CRA if they discriminate against some segment of their community in making loans. It is our hope that reforming and strengthening the administration of CRA will result in greater investment in communities which may have suffered from disinvestment and discrimination.

The Federal Reserve's consumer complaint program is another element in our overall effort to enforce fair lending laws. Our procedures provide special guidance for investigating complaints alleging loan discrimination. Such complaints can prompt an on-site investigation by Reserve Bank personnel at the State member bank accused of discrimination. We also have a referral agreement with HUD for mortgage complaints, and have sent a number of complaints to them for investigation. As in our examinations area, we are devoting considerable attention to strengthening our complaint processing system by increasing oversight, tightening deadlines for investigation, assuring more personal contact with complainants, and making the public more aware of our procedures.

Public education also plays a role in our fair lending enforcement. We have distributed a brochure entitled "Home Mortgage Lending and Equal Treatment" to all the institutions we supervise. It identifies lending standards and practices that may produce unintended discriminatory effects, and it cautions lenders about their use. The brochure focuses on race and includes examples of subtle forms of discrimination, such as unduly conservative appraisal practices in changing neighborhoods; property standards such as size and age that may exclude homes in older neighborhoods; and unrealistically high minimum-loan amounts.

More recently, a comprehensive booklet was published and widely circulated by the Federal Reserve Bank of Boston, entitled "(Closing the Gap:) A Guide to Equal Opportunity Lending." This is a significant and informative pamphlet designed to straightforwardly address lending discrimination and what can be done to avoid it. It challenges lenders to reconsider every aspect of their lending operations, from the hiring of loan officers to the treatment and evaluation of applicants, to ensure that loan decisions are not made on the basis of race or ethnicity. The publication has been widely distributed, with more than 50,000 copies in circulation. In an effort to reach even more people with the information in "(Closing the Gap:)" the Reserve Banks of Boston, Chicago, and San Francisco are developing a videotape patterned on the booklet for use by banks in their in-house fair lending training. We hope that the training tape will be available for use in early 1994. We have also published a brochure, entitled "Home Mortgages: Understanding the Process and Your Right to Fair Lending," to inform consumers about the mortgage application process and about their rights under fair lending and consumer protection laws.

Several public notices by the financial regulatory agencies recently too have stressed the need for financial institutions to provide credit on a non-discriminatory basis. For example, the joint statements on credit availability discussed equal credit lending obligations. And, a recent letter from Chairman Greenspan and the heads of the other supervisory agencies to the chief executive officers of all financial institutions stressed the importance of compliance with fair lending laws, and it provided guidance on how each institution could improve its performance.

One suggestion, which the letter recommended as a useful way to minimize the opportunity for bias in the evaluation of loan applications, is the so-called "second review" procedure. This procedure was suggested to address a concern raised by the Boston Reserve Bank study which indicated that, among marginally qualified applicants, white applicants were more likely to benefit from a lender's discretion in approving loans than black or Hispanic applicants. A second review would involve a financial institution's simply taking a second look at all of the applications it expects to deny, as well as some loan approvals, to ensure that its existing credit standards were applied fully and fairly. We understand that the procedure provides lenders with greater comfort that they have made credit decisions in an unbiased manner. It can serve as another useful tool for lenders, suggesting adjustments in institutional behavior to correct racially disparate loan practices that may be occurring despite the institution's policies to the contrary. It also should assure borrowers who are aware of the procedure that an institution seeks to treat all applicants fairly.

The Board believes the goal of ensuring fair access to credit also can be advanced by focusing on positive actions that a lender may take. Through our Community Affairs program, the Federal Reserve conducts outreach and provides educational and technical assistance to help financial institutions and the public understand and address community development and reinvestment issues. We have increased resources to Community Affairs activities at the Reserve Banks—now staffed with more than 50 people—to enable the Federal Reserve System to respond to the growing number of requests for information and assistance from banks and others on the Community Reinvestment Act, fair lending, and community development topics. Efforts have been expanded to work with financial institutions, banking associations, Governmental entities, businesses, and community groups to develop community lending programs that help finance affordable housing, small and minority business, and other revitalization projects. Overall the Reserve Bank's Community Affairs programs sponsor or cosponsor about a hundred programs a year, involving thou-

sands of participants, as a way to encourage economic development and assure fair lending.

CONCLUSION

The 1992 national HMDA data continue to show, like the data in preceding years, relatively high rates of denial of home mortgage applications for minorities. They remain a troubling cause for concern about racial discrimination in mortgage lending. For us and for the other regulatory agencies, the data provide a starting point for in-depth analyses of the mortgage lending practices of individual institutions. We are engaged in an aggressive effort in our fair lending examinations to identify any violations of the fair lending laws for corrective action, referral to the Department of Justice, or both.

Fairness in assessing credit applications, without regard to race, sex, or other prohibited bases, is absolutely critical to our nation's well being. Let there be no misunderstanding on that point. Racial discrimination cannot and it will not be tolerated. We are committed to its elimination to the best of our ability.

TESTIMONY OF EUGENE A. LUDWIG COMPTROLLER OF THE CURRENCY

NOVEMBER 4, 1993

SUMMARY

As bank supervisors, we at the OCC have a legal and moral obligation to make certain that credit decisions by national banks are made without regard to race, gender, or other prohibited bases. We are taking several steps to achieve that objective.

In March 1993, the OCC issued new interim examination procedures based on the principle of comparative file analysis, to test for illegal discrimination in residential mortgage lending by national banks. OCC examiners compare banks' actions on a sample of applications by members of a minority group with the banks' actions on a sample of the majority population. These procedures attempt to determine whether the home loan application process yielded similar results for minority and non-minority applicants with similar qualifications, and whether the bank gave comparable assistance to minority and non-minority applicants during the loan process. OCC examiners are currently using these revised examination procedures in all sections of the country. We expect to conduct over 200 examinations in 1993 using the new examination procedures.

We are increasing the resources we devote to compliance examinations and providing incentives to attract and retain skilled compliance personnel. The OCC plans to allocate a total of 530 FTEs in 1994 to consumer, community reinvestment and fiduciary activities. This represents a 60 percent increase over 1992 levels. The OCC has also adopted an expanded training and career development program for examiners wishing to specialize in compliance work.

The OCC is developing a testing program to detect unlawful discrimination at this pre-application stage of the credit process. Testing for lending discrimination has been used with some success by private fair housing organizations in investigations of discrimination in the rental or sale of housing. We expect to begin testing in early 1994.

We are developing statistical methods, using Home Mortgage Disclosure Act (HMDA) data and other information, to assist our examiners in detecting apparent discrimination. Our model is similar to the approaches developed by the Federal Reserve Bank of Boston in 1992, and by the Department of Justice to develop its landmark case against Decatur Federal in 1992. Once we have tested the model on individual institutions, we hope to use it as one of several tools for our compliance program.

We are expanding our outreach effort with the banking industry and others by participating in conferences and seminars. Since March, I have made over 10 major speeches to bankers, community groups and others on the issue of fair lending and Community Reinvestment Act (CRA) reform. OCC compliance staff in Washington have also participated in 24 meetings, seminars, and conferences since March. During the third quarter alone, our district offices have participated in over 100 outreach meetings with banking, community groups and others. During the many CRA hearings the OCC organized around the country, I have heard first-hand from individuals and community groups that discrimination harms individuals and deprives

many communities of essential capital. We intend to continue this outreach effort in 1994.

We are working closely with other Federal banking and thrift regulatory agencies, the Department of Justice, and the Department of Housing and Urban Development on strategies and methods to take administrative and civil action against institutions that violate Federal fair lending laws. In May, we issued an interagency statement to financial institutions reaffirming our commitment to the enforcement of fair lending laws and providing guidance on fair lending matters. The banking agencies are currently revising the supervisory enforcement policy for violations of the ECOA and FHA. The revised policy, which will replace a policy statement issued in 1981, will specify the actions that we will take when we find violations of the ECOA and FHA. The agencies are also developing uniform fair lending examination procedures and training programs.

The OCC has already referred four discrimination cases to Justice under its new fair lending policy, including one race, one marital status, and two age discrimination cases. We are fully cooperating with Justice on all referrals. The race discrimination case involves disparate treatment in loan rates received by minority borrowers for certain unsecured home improvement loans. We are currently in the process of reviewing this case with Justice and it is our expectation that our efforts will lead to a mutually agreeable approach on the level and type of appropriate administrative and civil measures which should result. The OCC has also shared information with Justice, in a manner consistent with the Right to Financial Privacy Act, in preliminary investigations initiated by Justice.

The banking agencies and HUD have implemented a memorandum of understanding to govern the handling of consumer complaints that allege violations of the Fair Housing Act (FHA). The memorandum covers complaints alleging discrimination in residential lending on the basis of race, color, national origin, religion, sex, familial status, and handicap. To date, the OCC has notified HUD of over 100 complaints of violations of the FHA. The OCC also notifies HUD promptly when our examinations uncover violations of the Fair Housing Act.

Stamping out illegal discrimination in bank lending is a primary goal of the OCC and one that I am firmly committed to enforcing. Banks provide credit and services that are essential to the economic life of the community and to the welfare of individual homeowners, proprietors, and entrepreneurs. One of my highest priorities during my tenure has been ensuring that credit decisions by national banks are made on a fair and equal basis. It will remain a top priority during the remainder of my tenure as Comptroller of the Currency.

INTRODUCTION

Mr. Chairman and Members of the committee, I welcome this opportunity to appear before you today to review the Office of the Comptroller of the Currency's efforts to enforce fair lending laws. I share your concerns about lending discrimination and want to assure you that the OCC is working hard to see that national banks comply with anti-discrimination laws. As I have stated on many occasions, vigorous enforcement of banks' compliance with fair lending statutes is one of my highest priorities.

As bank supervisors, we at the OCC have a legal and moral obligation to make certain that credit decisions by national banks are made without regard to race, gender, or other prohibited bases. The OCC will do all it can, on its own and in conjunction with other Federal regulatory and enforcement agencies, to ensure that all individuals have a fair and equal opportunity to obtain credit from national banks. When we uncover apparent discrimination, we will act promptly and responsibly to take appropriate enforcement actions and make referrals to other enforcement agencies.

Protecting against discrimination is a responsibility we all have. I support diversity in the work place and I am firmly committed to upholding Equal Opportunity (EEO) laws at the OCC. In order to protect against discrimination, I have assigned one of my senior advisors to run our EEO program; and, I have established two hotlines to address employee's questions and concerns regarding sexual harassment.

In my statement today, I will describe the OCC's efforts to enforce fair lending laws and steps being taken to strengthen cooperative efforts among the Federal banking agencies, and with the Department of Justice (DOJ), and the Department of Housing and Urban Development (HUD).

ENFORCING FAIR LENDING LAWS

The OCC is taking a number of steps to improve its performance in the area of fair lending enforcement. First, we are improving our methods for detecting discrimination through new interim compliance examination procedures that focus

more sharply on the characteristics of accepted and rejected mortgage applications. Second, we are increasing the resources we devote to compliance examinations and providing incentives to attract and retain skilled compliance personnel. Third, the OCC is developing a program that will use testers to compare the treatment of mortgage applicants at the pre-application stage. Fourth, we are developing statistical methods, using Home Mortgage Disclosure Act (HMDA) data and other information, to assist our examiners in detecting apparent discrimination. Fifth, we are expanding our outreach effort with the banking industry and others by participating in conferences and seminars. Last, and perhaps of considerable importance, we are working closely with other Federal banking and thrift regulatory agencies, the DOJ, and HUD on strategies and methods to take administrative and civil action against institutions that violate Federal fair lending laws.

I would like to point out that Federally regulated banks are, in effect, held to higher fair lending standards than non-Federally regulated lenders. While the Federal banking and thrift agencies are working hard to enforce fair lending laws, please bear in mind that many non-Federally regulated intermediaries are not examined for compliance with fair lending laws. Given the importance of fair lending compliance, the Congress may wish to consider further measures to ensure that all lenders comply with fair lending laws they are required to uphold.

New Examination Procedures for Residential Lending

Findings of apparent discrimination by the OCC and the other Federal banking agencies have, in the past, been rare. Prior to July 1993, the OCC had only made one discrimination referral to the DOJ. Since July, we have made four referrals. Formerly, we examined residential home loan files one-by-one, looking for violations of law. Those procedures were primarily predicated on the premise that discrimination consisted of well-qualified minority applicants being denied loans. In such circumstances, careful review of a victim's loan file might reveal certain technical and procedural violations of the fair lending laws, such as improper requirements for spousal signatures and inadequate notification of the reasons for denying a mortgage loan application. But because we did not systematically compare loan files with one another across racial and ethnic lines, that process was not likely to detect differences in the amount of accommodation and assistance a lender provided to applicants. In many cases, such assistance—requesting explanation of derogatory credit information, suggesting ways to improve an applicant's reported income or reduce the applicant's current debt, or offering an applicant loan options that might improve his or her ability to meet underwriting standards—can mean the difference between denial and acceptance.

New Examination Procedures. In March 1993, the OCC issued new interim examination procedures based on the principle of comparative file analysis, to test for illegal discrimination in residential mortgage lending by national banks. OCC examiners compare banks' actions on a sample of applications by members of a minority group with the banks' actions on a sample of the majority population. These procedures attempt to determine whether the home loan application process yielded similar results for minority and non-minority applicants with similar qualifications, and whether the bank gave comparable assistance to minority and non-minority applicants during the loan process. OCC examiners are currently using these revised examination procedures in all sections of the country.

Our procedures focus on residential lending because banks regularly report information about the race, national origin, and gender of the applicant, in accordance with HMDA. I am also concerned, however, about the possibility of discrimination in lending for small business and general consumer loans. I have directed my staff to explore whether it is practical to seek changes in current regulations that prohibit gathering racial and other monitoring information on business and consumer loans.

We are continuing to refine and improve these procedures over time as we gain experience. We have shared them with all interested parties, including banks, Government agencies, housing groups, and civil rights organizations, in order to solicit comments. We want our final procedures to incorporate the best ideas.

Evaluation and Referral. Using our new examination procedures, an examiner will reach a preliminary conclusion regarding whether there is an apparent difference in treatment based on prohibited factors. That preliminary conclusion may be based on assessments of the institution's own policies or pronouncements, documents from loan files, or statistically valid analyses of the institution's lending. When our testing program (which I will discuss later in my statement) is in place, a preliminary conclusion may also be based on testing results. The institution is then given the opportunity to explain the differences in treatment. If the institution's explanation is not persuasive, the supervisory office will proceed with enforce-

ment actions. The OCC will work to ensure that its referrals are well grounded in fact and fully documented.

It is our belief that discrimination, where it occurs, often affects applicants with some blemishes—relatively little time in a current job, past instances of late payment on certain obligations, high ratios of debt to income or housing expense to income—as part of their application files. In such cases, there can be a basis for denial or disparate treatment of loan applicants.

The critical question, however, is whether the stated reasons for denying the loan, or for granting the loan on less favorable terms, are legitimate, or whether they reflect discrimination. The answer to that question requires a comparison of target group applications and other applications from a control group. In essence, we are looking for evidence of disparate treatment. This method helps to determine whether the lender used the same underwriting standards and offered the same degree of accommodation, assistance, and flexibility to all applicants, regardless of race, color, ethnic origin, religion, gender, age, marital or familial status, or disability. Using this method, we are better able to determine if well-qualified minorities, or other groups protected by fair lending laws are being denied credit or given disparate treatment on illegal grounds.

The OCC has completed special compliance examinations at 20 national banks since March. We selected these institutions because there appeared to be significant disparities among loan application decisions involving white, African American, Hispanic and Native American mortgage applicants; the rejection rates of non-whites by these institutions appear to be higher than at other institutions within the same metropolitan area; and applicants had filed fair lending complaints against the institution. In selecting banks for these special compliance examinations, we also consulted fair housing groups and relied on other information gathered through routine exams and the supervisory process. In total, we expect to conduct over 200 examinations in 1993 (many of which are not yet complete) using the new examination procedures. These examinations will be conducted by either our special compliance examiners or through our routinely scheduled examinations. Additional such examinations may be scheduled in 1994.

Examiner Training

The OCC recognizes, based on our experience and comments from banks and community groups, that special skills and procedures are required in its examinations for compliance with statutes and regulations pertaining to equal, non-discriminatory access to credit. The OCC has decided to increase significantly our use of specialist examiners for fair lending and other consumer compliance examinations. Overall, the OCC is dedicating more resources to consumer issues than in the past. The OCC plans to allocate in 1994 a total of 530 FTEs, on an annualized basis, to carry out all our consumer, community reinvestment and fiduciary activities. By comparison, the OCC used 330 FTEs in 1992. This represents a 60 percent increase.

The OCC has now adopted an expanded training and career development program for examiners wishing to specialize in compliance work. Specialist consumer compliance examiners should be more effective than generalist examiners, who are responsible for both safety and soundness and consumer compliance examinations, in fully implementing our new procedures. Examiners choosing to specialize in compliance examinations will receive more extensive training in the techniques and skills used in compliance examinations. These examiners will have similar opportunities for advancement in their specialization as those following the traditional safety and soundness examination career path.

In addition to establishing a new career track for compliance examiners, the OCC has hired two specialists experienced in civil rights enforcement. They will develop, implement, and monitor the OCC's fair lending program and support examiner efforts to detect apparent discrimination. These specialists are assisting compliance examiners in analyzing preliminary evaluations, coordinating referrals to the DOJ, and notifying HUD. Finally, in ensuring that our training and methods generally are the best possible, we will be constantly consulting with the other agencies and departments involved in resolving the problems of lending discrimination.

Testing

Our revised fair lending examination procedures, even when implemented by highly skilled, well-trained examiners, will not enable the OCC to discover how persons inquiring about loans are treated prior to submitting an application. Consequently, the OCC is working to establish a testing program to detect unlawful discrimination at this pre-application stage of the credit process. Testing for lending discrimination has been used with some success by private fair housing organiza-

tions in investigations of discrimination in the rental or sale of housing. We expect to begin testing in early 1994.

Testing for lending bias, by its very nature, addresses subtle, multi-faceted behavior and requires great care. In developing a lender testing program, we have consulted with HUD and others with experience in the testing field. Although we are still in the developmental stage, I can offer some details of the likely characteristics of our testing program. It will be used for enforcement purposes, not as a research tool. We will contract for testers with one or more outside organizations. We will not use OCC examiners to conduct tests because we believe this would compromise the OCC examiner's supervisory role.

Statistical Analysis Using HMDA Data

In order to assist our compliance examiners, the OCC is in the process of developing a statistical model using HMDA data and other information to uncover patterns of unfair residential lending at individual banks. Our model is similar to the approaches developed by the Federal Reserve Bank of Boston in 1992, and by the Department of Justice to develop its landmark case against Decatur Federal in 1992. Once we have tested the model on individual institutions, we hope to use it as one of several tools for our compliance program. If our model detects significant disparities that are not explained by credit-related factors, we anticipate following up by reviewing specific loan decisions that the model indicates are questionable to attain a more accurate assessment of the institution's fair lending practices. When we gain more experience with the model and fully understand its strengths and weaknesses, we might conceivably make referrals, and initiate enforcement action against an institution, based largely on the findings of our model.

At this stage of our research, we have found that statistical models using HMDA data have limitations. First, HMDA data, in their current form and with the statistical methods that we have developed thus far, cannot be used to prove discrimination because they do not contain enough information on major credit-related factors such as employment and credit histories. We believe that careful examiner review and further evaluation is also necessary to determine if discrimination has occurred. Second, it is difficult to determine from HMDA data whether small banks are discriminating, because they may not originate or own a large enough number of residential mortgage loans for us to draw statistically valid conclusions. Third, the OCC and other banking agencies have uncovered anecdotal evidence that many banks are filing inaccurate HMDA reports. This tends to cast some doubt on any HMDA-based analyses. For instance, one of the 20 banks we examined recently has been cited for HMDA reporting problems. To address errors in HMDA reporting, we have stepped up our efforts to ensure that the banks' HMDA reports accurately reflect their actual lending behavior.

Notwithstanding the limitations, the most recent HMDA data are troubling. Preliminary HMDA data for 1992 on conventional mortgages originated at national banks and their mortgage subsidiaries show a continuation of wide differences in rejection rates among whites, African Americans, Hispanics and Asians. While the percentage of rejected applicants for all race categories decreased in 1992, the gap between minority and non-minority rejection rates did not change. Thus, there has been little or no improvement in relative terms since 1991. African American and Hispanic applicants are still twice as likely to be rejected compared to whites. National banks and their mortgage subsidiaries rejected 15.7 percent of white applicants, 35.0 percent of African American applicants, 31.2 percent of Hispanic applicants and 19.4 percent of Asian applicants in 1992.

There were some small bright spots for some minorities. The percentage of applications filed by African Americans increased from 4.2 percent in 1991 to 5.0 percent in 1992, and the percentage of applications filed by Hispanics increased from 4.2 percent to 5.1 percent. These figures remain, however, significantly below these groups' share of the total U.S. population, which is 12.5 percent for African Americans and 8.8 percent for Hispanics.

Outreach Efforts

Another element of our efforts is to communicate to the public how seriously the OCC takes its fair lending responsibilities. Since March, I have made over 10 major speeches to bankers, community groups and others on the issue of fair lending and Community Reinvestment Act (CRA) reform. OCC compliance staff in Washington has also participated in 24 meetings, seminars, and conferences since March. During the third quarter alone, our district offices have participated in over 100 outreach meetings with banking, community groups and others. During the many CRA hearings the OCC organized around the country, I have heard first-hand from individuals and community groups that discrimination harms individuals and deprives

many communities of essential capital. We intend to continue this outreach effort in 1994.

OCC staff have explained our fair lending enforcement efforts and educated bankers on ways they can comply with fair lending laws. I believe that most banks want to do the right thing in fair lending, and I am committed to making sure that the OCC contributes to industry efforts to eliminate discrimination. One of the goals of our outreach efforts is to assist banks on ways they can set up better controls to ensure fair and equitable lending. We explain how banks can comply by explaining how they can identify and thus avoid common pitfalls. For example, we emphasize the need to do comparative analysis of minority versus non-minority applicants. We encourage banks to look at areas where loan officers have discretion for setting the terms of a home loan to see if the terms are different for particular groups.

Interagency Cooperation

We have entered a new era of interagency cooperation and coordination regarding fair lending enforcement. The OCC has been working closely with other Federal banking and thrift regulatory agencies, the DOJ, and HUD to develop strategies for enforcing the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). The goal of this interagency effort is to send a clear message that we will not tolerate discrimination. We have been gratified by this cooperation we have received from HUD and DOJ in our anti-discrimination efforts. We are also confident that this cooperative interagency effort greatly enhances our ability to resolve this important problem.

In May, we issued an interagency statement to financial institutions reaffirming our commitment to the enforcement of fair lending laws and providing guidance on fair lending matters. The banking agencies are revising the supervisory enforcement policy for violations of the ECOA and FHA. The revised policy, which will replace a policy statement issued in 1981, specifies the actions that we will take when we find violations of the ECOA and FHA. The agencies are also developing uniform fair lending examination procedures and training programs.

The OCC will consider a number of factors in determining whether and how to use our administrative enforcement authority to address apparent discriminatory conduct. The nature of the OCC's action and the relief being sought for victims will be a function of various factors including: the number of violations identified, their duration, the amount of money involved, the nature of the discrimination, whether the discrimination was limited to a particular office or unit of the bank, whether the apparent discrimination was institutional in nature, the presence and effectiveness of any non-discriminatory bank policies, any history of discriminatory conduct, and any corrective measures taken or offered by the bank. The more egregious the conduct, the more severe the OCC's enforcement response will be. Where enforcement action is taken, it will likely include requirements that compensatory and punitive damages be offered to victims of discrimination, and that the bank take all affirmative steps necessary to correct practices which resulted in discrimination. Remedial measures could include modification and enhancement of the bank's lending policies, internal controls, and procedures; improved training of bank personnel; development and adoption of lending programs directed at low- and moderate-income segments of the bank's community; and enhancement of marketing and community outreach programs. Finally, any such action would include appropriate reporting requirements to monitor the bank's compliance with the administrative action.

Joint Efforts with DOJ. The OCC is committed to working closely with the DOJ as part of our overall enforcement responsibilities under the fair lending laws. The OCC has already referred four discrimination cases to Justice under its new fair lending policy, including one race, one marital status, and two age discrimination cases. We are fully cooperating with Justice on all referrals. The race discrimination case involves disparate treatment in loan rates received by minority borrowers for certain unsecured home improvement loans. We are currently in the process of reviewing this case with Justice and it is our expectation that our efforts will lead to a mutually agreeable approach on the level and type of appropriate administrative and civil measures which should result. The OCC has also shared information with Justice, in a manner consistent with the Right to Financial Privacy Act, in preliminary investigations initiated by Justice.

The Equal Credit Opportunity Act (ECOA) specifically provides that the Federal banking agencies shall enforce compliance with the Act. ECOA also requires the OCC, and other Federal banking agencies, to make referrals to the DOJ whenever we have reason to believe that an institution's lending demonstrates a pattern or practice of disparate treatment on the basis of race, gender, or another prohibited basis. We also make referrals to the DOJ when an institution's credit practices, although applied neutrally to all applicants, have a disproportionate effect on pro-

tected groups, unless the practice is justified by legitimate business considerations. In addition to the DOJ's authority to file civil actions, the OCC has the authority to seek cease and desist orders, compensation for victims, monetary penalties, and the assessment of punitive damages, where appropriate.

Joint Efforts with HUD. If the OCC's examinations reveal isolated instances of discrimination—as opposed to a pattern or practice of discrimination—then the OCC will take appropriate administrative enforcement action on its own. In addition, if the isolated instance of discrimination is a violation of the Fair Housing Act, the OCC will promptly notify the Department of Housing and Urban Development, so that it can take any action it deems appropriate.

The OCC also cooperates with HUD in addressing consumer complaints that the OCC receives alleging violations of the Fair Housing Act (FHA). The banking agencies and HUD have implemented a memorandum of understanding to govern the handling of such consumer complaints. The memorandum covers complaints alleging discrimination in residential lending on the basis of race, color, national origin, religion, sex, familial status, and handicap. To date, the OCC has notified HUD of over 100 complaints of violations of the FHA.

The OCC and HUD have formed an interagency working group to strengthen our efforts to counter discrimination in mortgage lending. Through that working group, HUD has shared with the OCC its testing methods learned from its experience with private fair housing groups and local fair housing agencies. We are also working with HUD (and the other banking agencies) to develop a policy statement on lending discrimination. That statement, to be issued within the next year, will be used to guide banks, courts, attorneys, fair housing groups, and others on what constitutes discrimination in mortgage lending. The policy statement could also be used to assist the efforts of fair housing groups, and will serve as a foundation for rulemaking on discrimination issues.

In the years ahead, we are looking forward to expanding our joint efforts with HUD, especially in the areas of testing for lending discrimination, statistical modeling, and complaint resolution.

CONCLUSIONS

Stamping out illegal discrimination in bank lending is a primary goal of the OCC and one that I am firmly committed to enforcing. We are revising the methods we use to conduct fair lending examinations, so that we can more effectively detect and take action against lending discrimination. We are establishing an expanded training and career program for examiners specializing in the compliance. We are making it clear that this specialization will be viewed within the OCC as equal in importance to specialization in safety and soundness examinations. We are working cooperatively with the Justice Department and the Department of Housing and Urban Development to enforce fair lending laws.

Banks provide credit and services that are essential to the economic life of the community and to the welfare of individual homeowners, proprietors, and entrepreneurs. One of my highest priorities during my tenure has been ensuring that credit decisions by national banks are made on a fair and equal basis. It will remain a top priority during the remainder of my tenure as Comptroller of the Currency.



Testimony
of

Jonathan L. Fiechter, Acting Director

Office of Thrift Supervision

concerning

Fair Lending Enforcement

before the

Committee on Banking, Housing and Urban Affairs

United States Senate

November 4, 1993

Office of Thrift Supervision
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INTRODUCTION

Mr. Chairman and Members of the committee, I am pleased to provide the Office of Thrift Supervision's (OTS) views on our administration and enforcement of the fair lending laws. An essential part of our mission is to ensure that the savings associations we regulate treat loan applicants fairly and consistently under the law. OTS firmly believes that illegal discrimination is intolerable, and socially and economically destructive.

My testimony will describe the steps we are taking to improve our fair lending program and the challenges we face in fulfilling our fair lending responsibilities. I will also touch on OTS' affordable housing initiatives and briefly discuss some preliminary observations on the 1992 Home Mortgage Disclosure Act (HMDA) aggregate data and the thrift industry in particular.

OTS AND INTERAGENCY FAIR LENDING EFFORTS

Overview

OTS has had a specially trained, career professional staff of examiners responsible for conducting compliance examinations since 1989. Presently, we have 100 compliance examiners conducting examinations at the 1,800 institutions supervised by OTS. The fair lending laws and regulations are reviewed as part of compliance examinations, as well as the Community Reinvestment Act (CRA), the Bank Secrecy Act, and consumer protection laws, such as the Truth in Lending Act.

Last winter, we began an internal effort to carefully review our fair lending examination and enforcement efforts with the goal of improving our performance. We concluded that we could do better. Although we believe that our approach has been a successful deterrent against overt discrimination, we recognized that refinements to our program were required.

Consequently, we took a fresh look at how we administer our fair lending responsibilities. We developed a three-part plan to combat lending discrimination in the thrift industry involving: (1) improving the discrimination detection techniques used by our examiners; (2) strengthening our enforcement response by ensuring that formal enforcement actions are taken to address non-compliance, and appropriate referrals are made to the Department of Justice (DOJ) and to the Department of Housing and Urban Development (HUD); and (3) working with the industry and other interested groups to sensitize institutions to subtle forms of discrimination.

OTS is working on many of these initiatives in conjunction with the other banking regulators. Those initiatives are described below.

Improving Discrimination Detection Techniques

Our fair lending examination procedures need to be revised to take full advantage of our recent experience and of the HMDA data. Clearly, more sophisticated anti-discrimination examination techniques will improve our process.

Our current procedures are based on a "hypothesis testing" method. This method involves drawing inferences from available lending records about the treatment of applicants of different races, national origins, or sexes, or the effect that lending policies and underwriting standards have on applicants. If a disparity is identified, the examiner forms a hypothesis (e.g., black males are treated less favorably than white males) and tests the affected group against a control group of similarly situated white applicants.

This process can be improved by developing a better way to compare groups of applicants. For example, as made clear by the Federal Reserve Bank of Boston study, differential treatment is most likely to occur with applicants that have imperfections or blemishes in their credit histories; individuals with model credit histories are able to obtain credit and clearly uncreditworthy applicants are not able to obtain credit, regardless of race. Applicants that raise red flags require more subjective evaluation by loan officers, which introduces the opportunity for bias to enter into the lending decision.

We need to better understand and adequately address the impact that subtle discrimination, as well as lending policies and underwriting standards, may have on the availability of credit. Forms of subtle differences in the way applicants are treated may include:

- A presumption that minority loan applicants with some flaws in their credit histories are not creditworthy but that white applicants with the same flaws are good credit risks; and
- A willingness by loan officers to work with white applicants with credit flaws but not with minority applicants with similar credit problems.

The Federal Reserve Bank of Boston study suggests that these differences may contribute to the gap between white and minority mortgage approval rates. Lending

policies and underwriting standards such as minimum loan amounts, maximum property age or minimum property values could also have the effect of excluding minority areas from lending activity.

In an effort to improve our examination approach, we are:

- Expanding and improving our compliance training curricula through the development of an advanced compliance examiner training school on credit discrimination.

We believe that an advanced fair lending class geared toward experienced field examiners would significantly enhance the ability of our examiners to identify discriminatory practices. We are presently putting together our advanced examiner training school in coordination with the other agencies. We hope to have a pilot program in place in early 1994.

- Working with other agencies such as DOJ and HUD, and civil rights experts to explore additional discrimination detection techniques, such as testing, for their possible application to our examination approach.

OTS needs to have an effective fair lending program and we are open to any approach. We have discussed testing with several civil rights groups and offered to participate with HUD in their testing program. We have indicated to the Urban Institute that we would provide advice and guidance on a research-oriented testing project that it would like to pursue.

- Supporting the Federal Financial Institutions Examination Council's (FFIEC) effort to review and improve the fair lending examination process, including ways to better use HMDA data to identify key lending disparities and potential problems that should receive intensified examination emphasis.

The FFIEC project to revise the fair lending examination procedures is ongoing, and is nearing the point where new procedures can be field tested.

Strengthened Fair Lending Enforcement

We have an obligation to use our existing enforcement authority to take formal action for violations of the fair lending laws where warranted, and to work with HUD in connection with alleged violations of the Fair Housing Act (FHA). The first step is to enhance our methods for identifying problems. We then need to make certain that we address identified problems with strong and swift actions based on solid, well-documented enforcement cases to demonstrate what activity is unacceptable. This will serve as instructive guidance to the industry.

We also have an obligation to make referrals to DOJ when we have reason to believe that one or more creditors is engaged in a pattern or practice of discrimination or discouragement under the Equal Credit Opportunity Act (ECOA). This affirmative requirement was added to the ECOA in 1991 to address the fact that the agencies had not historically made referrals. The prior statutory standard only authorized referrals to DOJ when an agency was unable to achieve compliance on its own. Thus far, we have made one referral to DOJ under the ECOA provisions and are reviewing several other possible cases to determine whether they meet the referral standard.

To strengthen our fair lending enforcement efforts, we are:

- Ensuring that OTS staff receives adequate guidance and support in the use of available OTS formal enforcement actions, including civil money penalties, for fair lending violations.

One area where we are preparing legal guidance for our field staff relates to referral standards. Additionally, we conducted a compliance training session for our regional counsel to update them on compliance issues, with a focus on fair lending enforcement matters that addressed standards of proof.

We also expect to be involved in an effort being undertaken by HUD and the Office of the Comptroller of the Currency to clearly define lending discrimination and provide guidance on the types of practices that result in discrimination.

Enhance Industry Education and External Communications

The agency can also play a larger role in educating the industry about specific lending standards and practices that may cause discrimination, and in identifying alternatives to those standards and practices. The debate and discussion in the fair lending area is increasingly not about overt discrimination but about subtle discrimination and seemingly neutral practices that have the effect of discriminating.

To enhance industry education and external communications, we are:

- Developing regional fair lending seminars for industry executives that focus on regulatory fundamentals as well as subtle lending practices that impede the ability of low-income and minority individuals to obtain credit.

We are in the process of developing industry seminars on an interagency basis and plan to hold the first session in the near future.

- Holding periodic meetings with various community organizations to discuss consumer and fair lending issues, and to share ideas on ways to improve fair lending efforts.

We have already held an initial round of meetings with several prominent community organizations on our fair lending strategy and will continue this process in the future.

Other Initiatives

There are several other interagency initiatives that are ongoing or have been recently completed.

- HMDA data plays a significant role in our credit discrimination examination process. To enhance its usefulness, the agencies developed expanded analyses for each HMDA reporter and each Metropolitan Statistical Area in which it originated or purchased loans. These analyses pinpoint lending disparities for the examiners and enables them to make better use of their available examination time.
- The agencies are developing a new supervisory enforcement policy for the ECOA and the FHA. Once adopted, this new policy will, for the first time, set forth a uniform supervisory response by the agencies to various ECOA and FHA violations.
- The agencies held a national compliance conference through the FFIEC in March, 1993. Fair lending was a significant component of this examiner training session.
- The agencies entered into a Memorandum of Understanding (MOU) with HUD for handling complaints that allege, either implicitly or explicitly, a violation of the FHA. Under the MOU, which went into effect on June 1, 1992, OTS has referred 180 FHA complaints to HUD.
- On May 27, 1993 the agency heads issued a joint statement to the Chief Executive Officers of regulated financial institutions regarding the agencies' commitment to enforcement of the fair lending laws. The letter proposed several fair lending strategies that financial institutions should consider as part of their own efforts to combat discrimination.

COOPERATION WITH THE DEPARTMENT OF JUSTICE

We are committed to working closely with the DOJ as part of our overall enforcement responsibility under the fair lending laws. Our relationship with DOJ goes back to the early stages of that agency's investigation of Decatur Federal, when it indicated that it wanted to explore the use of an analytical model to see if systematic patterns of discrimination could be identified in a financial institution's application records.

OTS and DOJ agreed that both agencies would benefit from a cooperative effort and that Decatur would be the test case. DOJ was very interested in learning about our examination process and how we test for discriminatory treatment of mortgage loan applicants. To our knowledge, DOJ had never participated with a Federal banking regulator in a field examination and the Decatur examination offered it an opportunity to bolster its experience level and strengthen its overall investigatory process.

Since the Decatur investigation, we have had several meetings with DOJ and wish to continue our working relationship with it in a way that will be advantageous for both of our agencies. For example, DOJ developed a listing of roughly 200 lenders whose HMDA records for 1990 and 1991 indicated possible disparate lending patterns based on race, and provided the listing to the banking regulatory agencies and HUD. DOJ asked each agency to narrow the list of its institutions down to four or five that might be suitable candidates for joint investigations between the agencies and DOJ.

We have nearly completed our review of the OTS-regulated institutions on DOJ's list. We have identified a subset of the DOJ list where we will conduct special targeted fair lending reviews and make direct referrals to DOJ should our findings so warrant.

OTS AFFORDABLE HOUSING INITIATIVE

As you know, the thrift industry has emerged from a turbulent and traumatic period. However, those who have survived have weathered the storm well and are in generally strong financial condition. The industry now faces new challenges as well as new opportunities.

A major challenge and opportunity involves making affordable housing credit available to meet the needs of low- and moderate-income individuals. Some thrifts have already seized the initiative and have found that providing affordable housing financing is a viable business.

While there is a substantial obligation under the CRA for institutions to take an active role in affordable housing, we prefer to focus in terms of what is good for the local community and for businesses operating in that community. Federal, State and local agencies, community groups, local businesses, and the financial industry need to work together to help meet this pressing need in underserved communities. Full participation by each group is required to make such efforts a success.

Over the past several months, staff at OTS have held extensive discussions with a variety of groups and organizations with an interest in affordable housing. We have also undertaken a review of our internal processes and practices. We have become aware of successes achieved by financial organizations in providing such financing. We also recognize the existence of various regulatory and other barriers that work to impede an institution's ability to provide affordable housing credit. Out of these deliberations have emerged initiatives for OTS that we plan to carry out over the next several months. Let me describe our agenda briefly:

- *Review of risks and returns.*—Drawing from the experience of thrifts, banks, and others, we are reviewing the risk profile and profitability of affordable housing lending over the past several years, and identifying particular techniques and characteristics that have been associated with successful programs. Our review will assist us in understanding and evaluating affordable housing lending, and in making informed and intelligent regulatory decisions with regard to such lending.
- *Examiner training.*—We are developing a specialized program for safety and soundness examiners to help them more effectively evaluate and understand affordable housing lending. As a starting point, we held a national conference of our most senior safety and soundness examiners last May and devoted one of the sessions to presentations by successful practitioners of affordable housing lending.
- *Regulatory barriers.*—We hope to identify any regulatory and other barriers to affordable housing lending. We will also consider what measures we can take, consistent with safety and soundness, to encourage affordable housing lending.
- *Affordable housing lending performance.*—We intend to explore methods to better understand the affordable housing lending performance of the thrift industry using HMDA data and other tools. For example, we are presently completing a study of HMDA lending patterns by thrifts and their subsidiaries in the Washington, D.C. market. We intend to make this study available to the industry.
- *Consultation with community groups and industry.*—We will continue to meet with industry and community groups to solicit ideas and input on our initiatives. We are very much interested in suggestions and reactions from all who play a role in this important issue.

On May 7, 1993, we formally communicated these initiatives to the thrift industry and asked for its comments. The response to date has been very supportive, and many thrifts have approached us with their ideas. We look forward to continued support on this initiative.

To coordinate our affordable housing initiatives and to supplement our CRA and fair lending efforts, we have established the new position of community affairs liaison in each of our five regional offices. This position is responsible for directing and managing community outreach efforts, providing technical assistance to staff, examination personnel, savings association management, and community groups on community reinvestment and fair lending issues. We are also establishing a similar position in Washington to coordinate the work of the regional community affairs liaisons, develop and disseminate national policy on community reinvestment issues, and work with community organizations on the national level.

CONCLUSION

Our three-part plan involving better detection methods, strengthened enforcement activities, and improved communication with the industry and community organizations will enhance our existing specialized compliance examination approach. Moreover, our involvement in the interagency initiatives, and our internal affordable housing initiative will provide additional improvements to our fair lending activities and performance. I would like to state again that discrimination has no place in this society. We are committed to do our part by enforcing the fair lending laws in a vigorous manner.

I appreciate the opportunity to discuss these important issues with you and would be pleased to answer any questions you may have.

APPENDIX

1992 HOME MORTGAGE DISCLOSURE ACT DATA—PRELIMINARY OBSERVATIONS

OTS received the 1992 national aggregate HMDA data late last week and has begun an analysis of thrift performance. We have concentrated our efforts on appli-

cations for Government-backed (VA, FHA, and FmHA) and conventional loans for the purchase of 1-4 family homes. We fully intend to analyze the data in more depth over the next several months. Some general observations follow:

- Thrifts received 24.4 percent of the total applications from low-income borrowers for conventional home mortgages. However, thrifts originated 28 percent of the loans going to this group.
- Applications for Government-backed loans at thrift institutions declined by 7 percent in 1992 from 1991. Most of this decline was concentrated in applications from persons whose income was between 100 and 120 percent of the median family income for the area where the property was located.
- Applications for conventional loans at thrift institutions declined by 5.4 percent in 1992 from 1991. Most of this decline took place among applicants with more than 120 percent of the median family income. In fact, applications from those with less than 80 percent of the median family income rose 10 percent at thrift institutions.
- Thrifts received 17 percent fewer applications for conventional home mortgages from Hispanics in 1992 than in 1991. Most of the decline was in the over 120 percent of median family income group. Thrifts actually received 6.2 percent more applications from low-income (less than 80 percent of median family income) Hispanics in 1992.
- Thrift denial rates for low-income Black applicants decreased from 35 percent in 1991 to 26.5 percent in 1992. Across all income categories, the overall thrift denial rates for Black applicants decreased from 26.5 percent in 1991 to 23.4 percent in 1992. Meanwhile, the overall rejection rate for all applicants has gone from 11.8 percent in 1991 to 11 percent in 1992.
- Thrifts originated 38.3 percent of the conventional home purchase loans to Hispanic applicants and received 35.4 percent of the applications from Hispanic applicants.

Our cursory review of the aggregates illustrates some positive changes in key indicators of lending performance. This broadly suggests that some headway is being made by the industry to further enhance its lending record, particularly as it relates to low-income and minority applicants. However, we believe that more can and should be done by the industry and the regulators to eliminate any meaningful disparities. Studying these disparities requires careful review of lending activity on a case-by-case basis, which we will do as part of our examination efforts.

TESTIMONY OF ANDREW C. HOVE, JR.

ACTING CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION

NOVEMBER 4, 1993

Good morning, Mr. Chairman and Members of the committee. On behalf of the Federal Deposit Insurance Corporation ("FDIC"), I welcome this opportunity to testify on our efforts to strengthen enforcement of fair lending laws individually and cooperatively with the other depository institution regulatory agencies, the Department of Justice ("DOJ"), and the Department of Housing and Urban Development ("HUD"). In addition, I will comment on 1992 Home Mortgage Disclosure Act ("HMDA") reporting by FDIC supervised institutions.

First, let me turn to the steps being taken by the FDIC individually to ensure compliance with the fair lending laws and regulations.

I. FDIC'S EFFORTS TO ENSURE COMPLIANCE WITH CRA AND FAIR LENDING LAWS

The FDIC is committed to enforcing compliance with all fair lending laws—the Community Reinvestment Act (CRA), the Equal Credit Opportunity Act (ECOA), the Fair Housing Act (FHA), and the Home Mortgage Disclosure Act (HMDA)—and the implementing regulations. During the past few years, we have concentrated our efforts on retooling the compliance examination function and on establishing an effective outreach program. Both actions have helped us better evaluate compliance with all fair lending laws. Let me briefly outline some of our efforts.

A. Examinations

We have established an examination staff dedicated solely to the consumer compliance examination program which includes evaluation of compliance with the fair lending laws. There now are 266 authorized field examiner positions at the FDIC compared to 150 when the program was first implemented in early 1991. In addition, in each of the FDIC's eight regional Division of Supervision ("DOS") offices,

there is an Assistant Regional Director and an examination review staff with specific responsibility for the consumer compliance examination function.

Previously, the FDIC relied on safety and soundness examiners with some training in compliance and a small group of examiners who specialized in compliance examinations. Our consumer compliance examiners and staff are committed to thorough assessments of institutions' compliance with the fair lending and other consumer protection laws. We are adding additional staff as necessary. In fact, we currently are receiving requests from regional offices for additional compliance examiners and we anticipate growth in the number of examiners in the future.

Our compliance examiners are provided comprehensive examination procedures concerning compliance with applicable fair lending laws and regulations. These procedures are reviewed regularly for applicability and effectiveness and revised as needed. Most recently, in April 1993, the FDIC revised its FHA examination procedures to provide examiners more specific direction and guidance on the three basic components of the FHA examination process: collecting and evaluating various information; analyzing samples of approved and denied loan applications for possible signs of discrimination; and reaching conclusions about an institution's compliance with fair housing and equal credit opportunity laws.

Other initiatives underway for compliance examiners include the acquisition of various demographic information to assist them in better understanding the communities served by the institutions they examine. For example, we recently purchased a series of CD-ROM products from the U.S. Census Bureau containing the 1990 Census data. An example of how we are using this product to provide examiners with more useful examination tools is the report, "Wide Area Census Tract Profile," a sample of which we have provided for the committee's record. This profile, prepared by the community affairs staff of our Office of Consumer Affairs, provides population, housing, housing costs, income, employment and education characteristics.

Since April of this year, we have been providing our examiners with a series of HMDA Analysis Reports. These reports, which we access through the Federal Reserve Board's computer system, can be customized to allow examiners to do more in-depth analysis of an institution's residential real estate lending practices. Data drawn from the enormous HMDA database can be customized at the examiner's request to reveal many critical ratios in carefully defined lending areas. In this short time, over 600 reports have been produced to analyze the lending patterns of institutions involved in protested mergers, branch openings or closings, or compliance examinations. In addition, we are evaluating the feasibility of purchasing data integration software (analysis and mapping) that will enable compliance examiners to conduct more accurate and comprehensive analyses of any of our financial institutions' loan portfolios and lending activities.

B. Outreach Programs

In the area of outreach, we have moved toward creating policies and programs that we believe will help the agency be more responsive to the public and the banking industry. Efforts intended to bridge the gap between financial institution, regulator, and the community resulted in the establishment of our Community Affairs Program in 1990 within our Office of Consumer Affairs (OCA). The primary mission of this program is to encourage community outreach activity in order to promote fair and non-discriminatory lending, and to provide greater awareness of the fair lending laws and regulations nationwide. The program assists examiners in carrying out their fair lending enforcement responsibilities, and in helping consumer and community groups, Government officials, and other interested groups and individuals to understand and to participate in the fair lending and community development processes. As an example, a report on the Indian Tribes in our Kansas City Region was prepared to assist our examiners in understanding the structure of tribal councils and some of the unique issues faced by Native Americans. A copy of this report was submitted for the record.

A Community Affairs Officer and staff are assigned to each of the eight Division of Supervision regional offices. Recognizing the importance of monitoring and analyzing HMDA data and in educating financial institutions and examiners on anti-discrimination practices, we are currently adding a Fair Lending Specialist, who among other things will focus on HMDA data analysis, in each regional office and in the Office of Consumer Affairs in the Washington Office. Selections for six of the positions have been made and we hope to fill the remaining three positions by the end of the year.

The FDIC also disseminates fair lending information to the industry and the public, including various pamphlets developed on an interagency basis that address practices that constitute discrimination. We provide speakers for, and participate in,

fair lending conferences and seminars throughout the country. The FDIC also sponsors one-day compliance seminars for financial institutions where fair lending laws are usually a significant part of the agenda. This year we have held seminars in Nashville, TN, Miami, FL, Springfield, MA, and Denver, CO. In addition, for over a decade, the FDIC has provided a toll-free consumer hotline for callers with complaints and inquiries about various consumer protection laws. This year, our Washington staff has responded to approximately 28,000 calls. Of these, nearly 10 percent dealt with the fair lending laws.

It is not enough simply to oversee the fair lending activities of institutions. We also realize the need to take a look within our own agency to determine what changes are needed to more effectively and efficiently enforce the fair lending laws. Earlier this year, we established an internal fair lending working group to further explore ways to strengthen the enforcement of, and compliance with, the fair lending laws. This group, comprised of senior level staff from around the country, was charged with the mission of analyzing the FDIC's existing programs and procedures for preventing, detecting, and correcting discriminatory credit practices. This report, which has been presented to FDIC management, has over 40 recommendations addressing such topics as: (1) the FDIC's organizational structure, culture, policies, and procedures; (2) the FDIC's examination and supervisory process for monitoring compliance with the fair lending and other consumer protection laws and regulations; (3) the handling of consumer complaints; and (4) our outreach efforts to provide information to the public, financial institutions and Congress. Several recommendations have already been implemented. For example, we are drafting a complaint brochure and form for discrimination complaints and will be implementing a policy that will require examiners to conduct outside community contact interviews with fair lending examinations. Current interagency policy is to "encourage" outside contacts.

Many of the remaining recommendations can be implemented through existing management channels. The Directors of our Office of Consumer Affairs and Division of Supervision are working on various measures including training programs, complaint handling and improved interoffice cooperation and communication. Finally, a decision on the remaining recommendations will be made later this month. Testing guidelines for institutions to use to identify discriminatory lending practices at the pre-application stage are being developed. These guidelines are expected to be completed by the end of the year.

II. FDIC EFFORTS TO COORDINATE WITH THE OTHER FEDERAL REGULATORY AGENCIES

To dramatically improve fair lending performance, financial institutions and communities must work together to effect changes in the lending area. The same can be said of the regulatory agencies.

A significant interagency development is the Administration's Credit Availability Program, which was announced on March 10, 1993, by the four Federal banking and thrift regulators, including the FDIC. The "Interagency Policy Statement on Credit Availability" seeks to improve credit availability, especially for low- and moderate-income neighborhoods and disadvantaged rural areas served by small- and medium-sized businesses.

To implement the credit availability program, the agencies subsequently announced several initiatives that address: lending discrimination and fair lending; documentation of loans; appraisal requirements; regulatory reporting requirements; valuation of real estate collateral; and examiner loan review and improved coordination of examinations. These initiatives are designed to make credit available in an equitable and non-discriminatory fashion. The initiatives also should result in more available credit to minority and other small- and medium-sized businesses.

Our work with the other financial institution regulatory agencies continues in the form of interagency committees in Washington and in various parts of the country that focus on fair lending issues from the examination and consumer affairs perspectives. The Consumer Compliance Task Force of the Federal Financial Institutions Examination Council ("FFIEC"), which is based here in Washington and which the Director of the FDIC's Office of Consumer Affairs currently chairs, has a number of projects underway to address fair lending. For example, through the Task Force's work, the FDIC has recently distributed to all examiner field offices a CD-ROM containing 1990 and 1991 HMDA data tables to assist with pre-examination HMDA analysis. Additionally, the Task Force is working to make HMDA data publicly available as early as possible and to make the data more easily accessible.

There are several other examples of improved cooperation among the agencies. During the last six months, the FDIC has been able to directly access analytical data from the HMDA database maintained by the Federal Reserve Board for use

by FDIC examiners. In addition, the FDIC has reached an agreement with the Federal Reserve Board for the Board to collect HMDA data directly from institutions for which the FDIC is primary regulator. This should eliminate duplication of effort and allow for more timely data processing.

In 1992, the FDIC and other member agencies of the FFIEC entered into a Memorandum of Understanding with the Department of Housing and Urban Development (HUD) with regard to the sharing of Fair Housing Complaint information and other notices of Fair Housing Act violations to HUD. In August of this year, we participated in a follow-up interagency meeting to discuss agency investigation procedures, coordination of efforts, and what steps need to be taken to improve communication among the agencies to comply with the Memorandum. Follow-up meetings will be held periodically.

We continue to engage in cooperative efforts with DOJ, as well, to enforce fair lending laws. Earlier this year, for example, we promptly responded to requests from DOJ for information on FDIC supervised institutions identified by the Department as having HMDA data that fell outside of certain parameters established by DOJ. We have been cooperating with DOJ in their follow-up efforts concerning these institutions. A copy of our correspondence with DOJ concerning cooperative investigations between our agencies is attached to my testimony.

As you know, FDICIA requires that we refer all pattern and practice violations of the anti-discrimination laws to DOJ. To date, the FDIC has made ten referrals to DOJ of apparent instances of discrimination. The referrals involved instances of either spousal signatures being required from an applicant or consideration of an applicant's income being derived from public assistance, both of which are prohibited basis under ECOA. None involved instances of racial discrimination. Attached to this testimony is a copy of a memorandum dated April 16, 1993, to FDIC Regional Directors from the Director of the Division of Supervision outlining procedures for referrals to HUD and DOJ regarding possible illegal discrimination.

Finally, with regard to referrals to DOJ, it should be noted that if an institution finds a pattern or practice of discrimination through its own self-testing effort, and we become aware of it, even if corrective actions have been taken, we are required to refer the case to DOJ. While we have not yet had an instance where a referral has been made based on an institution's own self-testing, we are concerned that the mandatory referral may have the effect of discouraging institutions from using one of the best detection and self-assessment tools available to them. Congress may want to amend the Fair Housing and Equal Credit Opportunity Acts to permit some discretion in referrals of such cases that involve self-testing where the regulators have determined that appropriate corrective action has been taken.

Cooperative efforts among the agencies to improve fair lending performance by lenders occurs not only at the Washington level but also at the regional level. It is at the regional level that our staff interact on a daily basis not only with other agencies' examiners, community affairs specialists and fair lending specialists but with lenders, consumers and community organizations as well. Following are examples of cooperative efforts from several FDIC regions nationwide.

In the Boston Region, the FDIC is co-sponsoring with the Federal Reserve Bank of Boston a number of seminars for lenders. Presently in progress are a series of two different seminars. The first seminar is aimed at compliance officers and loan officers. Called "Closing the Gap," it is designed to assist lenders in detecting and preventing discrimination and closing the gap that exists in lending to minority and non-minority borrowers. Seminars are being held in Boston; Providence, Rhode Island; Hartford, Connecticut; and Augusta, Maine. The second series of seminars is called "CRA from Compliance to Strategic Planning". Offering constructive examples to lenders on how to improve community lending, it is aimed at Directors and Senior Management. Four seminars have been scheduled in Vermont, Connecticut, Massachusetts and Maine.

In the Chicago Region, the FDIC has provided to the other regulatory agencies copies of regional Community Reports, Wide Area Census Tract Profiles, Community Contact Lists and other demographic data prepared by the Community Affairs staff as examination aids to assist FDIC Examiners in evaluating lending patterns across neighborhoods. Also in Chicago, in May 1993, Community Affairs staff from the FDIC and the Federal Reserve Bank of Chicago co-sponsored the Women's Business Development Center, a fair lending focus group convened to identify barriers to lending to women-owned businesses and to discuss ways to overcome them. Participants included lending officers from area institutions and women business owners. A report of that focus group will be used as a fair lending training tool for examiners and lenders.

In the New York region, later this month in Puerto Rico, the FDIC is co-sponsoring with the Federal Reserve Bank of New York a conference showcasing economic

development initiatives and the emergence of nonprofit organizations. Historically, and until recent years, there was a unique restriction in Puerto Rico on the formation of nonprofit organizations. Community development was largely Government sponsored with little private sector involvement, and financial institutions were not directly involved. For example, Neighborhood Housing Services, a nonprofit community development corporation, arrived there only a few years ago. This conference will focus on how lenders can form partnerships with recently created nonprofit organizations to access Government programs that will assist in lending and investment in lower income areas.

In the San Francisco Region, earlier this year, the community affairs and compliance examination staff of all of the agencies designed and conducted an Interagency Discrimination Analysis Training Program for Examiners. Attended by field examiners and supervisory staff from each agency, it was a comprehensive training session that included techniques used to detect discriminatory lending practices and improve fair lending and community reinvestment performance. Staff from DOJ and HUD were also involved. This successful model is under review for implementation in all regions as an interagency effort. In addition, we co-sponsored with the Federal Reserve Bank of Minneapolis a fair lending workshop for bankers and community groups in Billings, Montana, and with the Federal Reserve Bank of San Francisco, co-sponsored a CRA Officer Roundtable to discuss with lenders and others the credit needs of several low income, high minority neighborhoods in San Francisco.

Finally, in the Kansas City Region, the FDIC and the Federal Reserve Bank in Kansas City co-sponsored two fair lending workshops. One was held in Paola, Kansas, in October and the other was held last week in Parsons, Kansas. The workshops were designed to provide recommendations to small town banks on how to detect and prevent discrimination in lending. Our Community Affairs Officer has also accepted an invitation from the HUD Kansas City Regional Office to provide HMDA analysis training for their fair housing investigators. The training, to be held next week, will focus on the uses of HMDA data to assist in HUD's field investigations of alleged housing discrimination.

This kind of participation by FDIC staff in fair lending training conferences, roundtables and forums occurs on a regular basis nationwide. Let me turn now to a summary of the results of the 1992 HMDA data for FDIC institutions.

III. 1992 HMDA REPORTING OF FDIC SUPERVISED INSTITUTIONS

FDIC-supervised institutions reported approximately 1.5 million applications in 1992, up from nearly 900,000 in 1991 (excluding purchased loans). Refinancing was responsible for much of the growth in mortgage applications, accounting for 52 percent of the applications versus 30 percent for home purchase and 17 percent for home improvement.

Not only did the total number of applications increase, but a larger proportion of the loan applications were approved in 1992. Preliminary analyses of the HMDA data show that 14 percent of mortgage applications received by FDIC-supervised institutions in 1992 were denied. That represents a marked decline from the 18 percent denial rate reported in 1991. Denial rates for conventional mortgage applications remained stable, but denial rates declined for home improvement loans and refinances, both in conventional and Government-backed loan programs.

Denial rates declined across all race and ethnic categories, although minority applicants still experienced denial rates well above that for white applicants. The denial rate for blacks fell from 32 percent to 29 percent. The denial rates fell from 30 to 25 percent for Hispanics, 23 to 20 percent for American Indian/Alaskan natives, 16 to 13 percent for Asian/Pacific Islanders, and 14 to 11 percent for whites.

While the rejection rates improved somewhat, we are concerned about the continuing disparities. The degree to which higher minority rejection rates reflect racial and ethnic discrimination by mortgage lenders cannot be determined from aggregate HMDA data. In order to determine where racial discrimination may be responsible for the disparities in denial rates, lending patterns must be evaluated to identify those institutions where further investigation may be warranted. From the 1992 HMDA data, a list of lenders with relatively high minority denial rates will be generated by the FDIC and distributed to the regional offices. The regional offices will review this list and evaluate lending patterns at these institutions, concentrating initially on those institutions that appear to raise questions regarding potential discrimination against minority applicants. Further analyses will be done to identify those institutions that report a small proportion of minority applicants relative to the demographics in the institutions' markets. Where problems are identified or additional questions raised about lenders' conduct, more intensive investigations using further data analyses and examination of loan files by compliance examiners will

result. We are prepared to commit up to 100 examiners to conduct immediate follow-up investigations based on the 1992 data.

CONCLUSION

To say that there is unfinished business in the fair lending area is an understatement, as the 1992 data appear to indicate. Although the 1992 data show some improvement in denial rates for minorities, significant disparities continue to exist. Much work still needs to be done before any of us will be satisfied that barriers to credit availability in this nation have been overcome.

The FDIC believes that strong fair lending actions by the banking industry, supervision by its regulators, and partnership efforts with community groups and individuals are critically important. We will remain diligent in carrying out our policies to enforce fair lending laws. We also will continue to develop fair lending expertise and to improve training of our examiners in such areas as community development and HMDA data analysis. We hope that the initiatives the FDIC is implementing will strengthen fair lending enforcement.



FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, D.C. 20429

OFFICE OF THE CHAIRMAN

September 24, 1992

Mr. John R. Dunne
Assistant Attorney General
Civil Rights Division
U.S. Department of Justice
Washington, D.C. 20530

Dear Mr. Dunne:

We wish to thank you and your staff for sponsoring a series of interagency meetings to discuss coordinated efforts to detect and combat acts of illegal discrimination in mortgage lending. We have benefited greatly from the exchange of ideas at those meetings and are prepared to build on those discussions by coordinating with you activities designed to detect acts of discrimination in mortgage lending and strengthen enforcement of the Fair Housing Act and the Equal Credit Opportunity Act.

We are most interested in reaching an agreement with the DOJ regarding how, and in what circumstances, we could cooperate in investigating possible lending discrimination since the Equal Credit Opportunity Act requires the FDIC, in certain circumstances, to refer to the DOJ instances of apparent discrimination that we find. Consequently, it would serve both of our agencies' best interests to develop a clear understanding of what can be expected by way of cooperative efforts and what results will be of interest to you for further investigation under your own authority and responsibilities. Nonetheless, there are some aspects of the proposals that have been put forward by your staff during the series of meetings that, for various reasons, we are unable to accommodate.

We may provide information obtained in the course of an examination to others in accordance with applicable laws and regulations. Normally, it would be inappropriate, however, for employees of other federal agencies, including the DOJ, to accompany our examiners or in any way participate in an examination. Despite this limitation, we are prepared to take steps, consistent with our responsibilities under the relevant law, to assist your department in investigating potential violations of the Fair Housing Act or Equal Credit Opportunity Act by the institutions we supervise.

As proposed, if the DOJ requests, and receives, the voluntary consent of selected institutions to do so, DOJ staff or other persons designated by, and acting on behalf of, the DOJ will be permitted to accompany our examiners during an examination for compliance with fair lending laws. Our staff will be pleased to work with yours to select which institutions the DOJ should approach for this consent and to arrange our examination schedule to conduct a fair lending examination of the selected institution. We would like to emphasize, however, that participation by the DOJ, and others acting on behalf of the DOJ, in these examinations within the institution must be limited to those institutions for which the DOJ has received permission in advance.

We have participated in discussions with the DOJ staff to learn more about the information you need for your own investigations, and hope to hold more such discussions. Whenever possible, we will do whatever is feasible in our examination activities to assist the DOJ in obtaining the information you need for your own investigation, whether or not the DOJ is granted permission by the institution to accompany our examiners. Consequently, should you be denied permission to accompany our examiners into a particular institution, we would still be willing to work with your staff to make our investigation useful to the DOJ as well as to ourselves, consistent with our regulations. This could include the collection of limited data for your use in an institution's mortgage lending patterns.

We will inform the DOJ of any follow-up activities or actions that we plan with regard to an institution. In some instances, we may wish to review additional loan files and conduct more extensive interviews with bank customers or others familiar with the institution's historical practices with respect to minority loan applicants. We will also investigate correspondence, notes of telephone calls by lending and other relevant personnel, and annotations on loan documents because we believe that discrimination may involve the quality of effort exerted by the lender on behalf of an applicant.

If, through our examinations, we find indications of illegal discrimination, we will inform the DOJ of that fact, whether or not the institution involved has been jointly targeted for review. However, we have our own responsibilities to take enforcement actions or request the institution to take specific corrective measures, as appropriate, which we would continue to do. We would, of course, plan to consult with DOJ staff to ensure that any actions that we might plan to take are consistent with enforcement efforts underway at the DOJ. We believe that a responsible institution, presented with credible evidence of discrimination, would take whatever reasonable steps the regulator recommends to correct the problem.

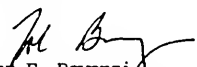
Clearly, we are prepared to proceed with cooperative efforts involving our two agencies. However, we do not believe that the prototype statistical analysis the DOJ conducted during the Atlanta investigation, and now proposes to replicate in other selected lenders under our primary supervisory jurisdiction — at an estimated cost to the FDIC of up to \$500,000 per institution — is an efficient or cost-effective approach to our enforcement responsibilities.

The decision to employ a particular consultant and use a specific statistical methodology is the DOJ's. If the DOJ were to decide that the type of intensive investigation conducted in Atlanta is warranted in a particular institution, we would share our own examination findings, to the extent permissible by law and regulation, and assist in any way possible in your dealing with the institution. We would also facilitate, if possible, the DOJ's access to the institution's data necessary for such an analysis.

-3-

The FDIC shares your concerns about illegal mortgage lending discrimination, wherever and whenever it might occur. Cooperative and coordinated investigations between our agencies can make us both more effective in detecting and combating lending discrimination. Therefore, we look forward to formalizing the proposals made in this letter in the near future. If, in the meantime, you need further information, please feel free to contact Janice M. Smith, Director, Office of Consumer Affairs, at (202) 898-6777.

Sincerely,



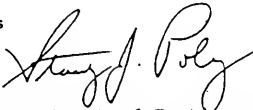
John F. Bovenzi
Deputy to the Chairman

Division of Supervision

MEMORANDUM SYSTEM

Classification Number	5410
Date	April 16, 1993
Issuing Office	DOS/CSRS
Contact	Valerie Thomas, Ext. 87155
<input type="checkbox"/> Notice	<input checked="" type="checkbox"/> Memorandum

TO: Regional Directors

FROM: Stanley J. Poling 
Director

SUBJECT: Referral to U.S. Department of Justice and Notice to U.S.
Department of Housing and Urban Development Regarding
Possible Illegal Discrimination

1. Purpose. To formalize procedures and issue instructions for referring situations of possible illegal discrimination, as prohibited under the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA), to the U.S. Department of Justice (DOJ) and the U.S. Department of Housing and Urban Development (HUD), as applicable.

2. Background. The Fair Housing Act prohibits discrimination in residential lending on the prohibited bases of race, color, national origin, religion, sex, familial status, and handicap. The Equal Credit Opportunity Act prohibits discrimination in any credit transaction on the prohibited bases of race, color, national origin, religion, gender, marital status, age, receipt of public assistance, or the exercise of rights provided by ECOA. Section 223 (copy attached) of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) mandates referring to DOJ and HUD certain information about apparent violations of the ECOA and FHA involving a pattern or practice of discouraging or denying applications for credit on a prohibited basis. FDICIA also provides for optional referral of isolated ECOA violations (without related apparent FHA violations) to DOJ. However, FDICIA requires that even isolated violations of the FHA be referred to HUD. The FDIC's obligations with regard to processing discrimination complaints that allege a violation of the FHA have been specified by a Memorandum of Understanding Between Department of Housing and Urban Development and the Federal Financial Institutions Examination Council (FFIEC) Member Agencies (MOU), effective May 27, 1992. This MOU is attached for informational purposes.

Transmittal No. 93-57

The FDICIA and MOU requirements and options overlap, but essentially create five scenarios with specified responsibilities, as follows:

- I. Pattern or practice of apparent ECOA violations, with or without related apparent FHA violations: mandatory referral to DOJ, as provided in ECOA, as amended by FDICIA.
- II. Isolated apparent ECOA violation without related apparent FHA violation: optional referral to DOJ, as provided in ECOA, as amended by FDICIA.
- III. Apparent FHA violation(s) not related to apparent ECOA violation(s) that were referred to DOJ: mandatory notice to HUD, as provided in ECOA, as amended by FDICIA.
- IV. Notice sent to HUD or referral made to DOJ of apparent illegal discrimination: mandatory notices to applicants, as required by ECOA, as amended by FDICIA.
- V. FHA complaint received, with or without related ECOA allegations: mandatory notice to HUD and applicants, with coordination of investigations with HUD, as provided in the MOU.

3. Procedures. Effective immediately, all examination reports citing an apparent pattern and practice of violation(s) of ECOA and FHA should be forwarded to Mr. Charles V. Collier, Assistant Director, Office of Specialty Examinations and Financial Reporting. The FDIC has recently issued new fair housing examination procedures (Transmittal No. 93-53, Classification No. 6410, dated April 9, 1993) that define the existence of pattern and practice violations for the purposes of this memorandum. All examination reports citing isolated violations of the FHA and all examination reports citing substantive isolated violations of the ECOA should also be forwarded. Substantive violations involve actual discrimination on a prohibited basis, which involves either disparate treatment or disproportionate impact.

Each examination should be accompanied by a brief memorandum describing the violation and its apparent cause(s), as well as any corrective measures forthcoming or implemented. The financial institution's directorate and/or management response should also be noted in the memorandum. The referrals to DOJ and HUD of these examination findings, as appropriate, will be made from the Division of Supervision in the Washington Office. Consumer complaints should continue to be processed in accordance with instructions provided in the FDIC Compliance Examination Manual, until further guidance is provided. The regional offices will be provided copies of all related correspondence and kept advised of the status of the referrals.

MEMORANDUM OF UNDERSTANDING
 BETWEEN
 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 AND
 THE FEDERAL FINANCIAL INSTITUTIONS
 EXAMINATION COUNCIL (FFIEC) MEMBER AGENCIES

1. PURPOSE

This Memorandum of Understanding (MOU) is a set of procedures for coordination and cooperation in the investigation of complaints that allege a violation of the Fair Housing Act (FHAAct).

The Department of Housing and Urban Development (HUD) is responsible for administering the FHAAct and investigating the FHAAct complaints it receives. The agencies that are members of the FFIEC (member agencies) also have statutory and regulatory responsibility for investigating and re-solving complaints alleging illegal discrimination in residential real estate-related transactions by the financial institutions they regulate (regulated institutions). HUD and the member agencies agree to coordinate their efforts with regard to the FHAAct to: a) assure nondiscrimination in residential real estate-related transactions by the regulated institutions, b) minimize duplicative Federal efforts, and c) reduce the burden on the public.

Nothing in this MOU shall be deemed to address interagency coordination except in connection with investigations of complaints undertaken by HUD and/or the member agencies pursuant to the FHAAct. HUD's investigations shall not be deemed to constitute "examinations" of regulated institutions.

This MOU does not apply to complaints that name a member agency as a respondent.

2. Notification of Complaint Receipt

Complaint First Received by a Member Agency: Upon receipt of a complaint that appears to allege a violation of the FHAAct, that is, involves an allegation of discrimination based on race, color, religion, national origin, sex, familial status or handicap in a residential real estate-related transaction by a regulated institution, the appropriate member agency (i.e., the primary regulator of the regulated institution) will expeditiously provide a copy of the complaint to the designated contact in HUD's national office for Fair Housing and Equal Opportunity. At the same time, the member agency will inform the complainant by letter of his or her rights under the FHAAct, as well as other pertinent statutes or regulations, and advise the complainant that copies of this letter and the complaint are being provided to HUD. A copy of this letter will accompany the complaint provided to HUD.

Following receipt of a complaint forwarded by a member agency, HUD will expeditiously send the member agency a letter acknowledging receipt.

Complaint First Received by HUD: Upon receipt of a FHAct complaint against a regulated institution, HUD will expeditiously provide the headquarters of the appropriate member agency with a copy of that complaint. At the same time, HUD will inform the complainant that copies of this letter and the complaint are being provided to the appropriate member agency.

Following receipt of a complaint forwarded by HUD, the member agency will expeditiously acknowledge receipt and advise HUD whether the allegations in the complaint involve or may involve laws or regulations, other than the FHAct, administered by the member agency.

3. Coordination in Processing FHAct Complaints

Upon receipt of a complaint alleging a violation of the FHAct involving a regulated institution, both HUD and the appropriate member agency will coordinate the initiation of appropriate investigation(s) and processing of the complaint pursuant to their respective regulations and procedures. HUD will, as in all other complaints, provide the respondent (the regulated institution) with adequate notice of the investigation and of any records needed from the respondent. At the same time, HUD will notify the member agency in advance of the dates, times and places of any on-site investigations and will provide an opportunity to participate. If member agency participation is not feasible, HUD may consult with the agency regarding investigative approaches.

To the extent permissible under their policies and procedures, HUD and the member agencies will attempt to coordinate their investigations of complaints that allege a violation of the FHAct. In undertaking their respective investigations, HUD and the member agencies will consider each other's regulations, policies and procedures, including the statutory and regulatory deadlines governing HUD actions.

4. Information Requests

HUD requests to member agencies for their records shall be made in writing and in a manner which is consistent with any applicable laws and regulations, including the Right to Financial Privacy Act and the Privacy Act. When HUD makes a request in writing for a member agency to provide nonpublic information that the member agency maintains with respect to the lending practices of a regulated institution or group of regulated institutions it regulates, the member agency will make every effort to provide that information which is relevant and necessary to HUD's FHAct investigation, to the extent permissible by law. (HUD understands that examination reports, working papers and other examination-related documents are the property of the member agencies and will, therefore, make its requests for those documents only to the member agencies and not to the regulated institutions involved in the investigation.) The member agencies reserve the right to receive reimbursement from HUD for any costs in excess of \$500 incurred in providing this information. HUD and the member agencies recognize that certain Federal laws, including the Right to Financial Privacy Act and the Privacy Act,

- 3 -

as well as agency regulations and policies governing confidentiality and nondisclosure, may limit their ability to publicly release information received from each other. Therefore, the parties agree that if the agency receiving information (otherwise governed by such laws, regulations and policies) believes that release of such information is necessary and essential to effect compliance with the FHAct, the General or Chief Counsels of the two agencies will confer, prior to any public release of the information. With regard to publicly available data, the member agency will advise HUD of their location and the procedures to obtain access to them. Time frames for responding to requests will be agreed upon between the two agencies on a case-by-case basis.

5. Determinations and Decisions

With regard to HUD processing of FHAct complaints against regulated institutions, HUD will expeditiously notify the headquarters of the member agency of:

- A. the reason for closing the complaint (and will provide the member agency with a copy of any conciliation agreement); or
- B. the HUD determination of whether there is reasonable cause to believe there has been a violation of the FHAct; and
- any election by the complainant or respondent to have a charge heard in Federal district court, or
- the issuance of a final decision after an administrative hearing.

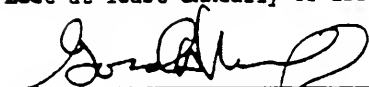
With regard to member agency processing of complaints involving both the FHAct and one or more member agency-administered laws or regulations, the member agency will expeditiously notify HUD of its determination or other reason for closing the complaint.

6. Implementation

This MOU becomes effective not later than 180 days after it is signed by all parties. Prior to the effective date, HUD and the member agencies will each establish internal procedures for implementation. HUD and the member agencies will provide each other with copies of these procedures.

HUD will provide the member agencies at least annually with a list of regulated institutions that were named as respondents in complaints filed during the preceding twelve-month period. At least annually, the member agencies will provide HUD with current lists of the institutions they regulate to enable HUD to notify the appropriate member agency when HUD receives a complaint against a regulated institution.

HUD and the member agencies agree to confer quarterly and to meet at least annually to assess the implementation of this MOU.



Name : Gordon H. Mansfield
 Title: Asst. Sec. for Fair Housing and Equal Opportunity
 Agency: Department of Housing and Urban Development

Carls FH
 Date



Name : Robert L. Clarke
 Title: Comptroller of the Currency
 Agency: Comptroller of the Currency

11-15-91
 Date



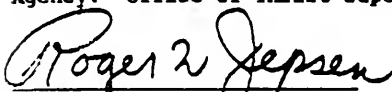
Name : John P. LaWare
 Title: Member, Board of Governors
 Agency: Board of Governors of the Federal Reserve System

11/20/91
 Date



Name : T. Timothy Ryan
 Title: Director
 Agency: Office of Thrift Supervision

11/25/91
 Date



Name : Roger W. Jepsen
 Title: Chairman
 Agency: National Credit Union Administration

11/27/91
 Date



Name : William Taylor
 Title: Chairman
 Agency: Federal Deposit Insurance Corporation

11/27/91
 Date



Office of Thrift Supervision
Department of the Treasury

333 Constitution Avenue, N.W., Washington, D.C. 20551 • (202) 906-6000

November 12, 1993

MEMORANDUM FOR: The Honorable Janet Reno
Attorney General
U.S. Department of Justice

The Honorable Henry G. Cisneros
Secretary
U.S. Department of Housing and Urban Development

FROM: *JLF* Jonathan L. Flechter
Acting Director

SUBJECT: Improving Cooperation on Fair Lending and
Affordable Housing Issues

At last week's testimony before the Senate Banking Committee, I committed to Chairman Riegle that I would seek to improve the coordination between OTS and HUD and OTS and Justice. In particular, we would welcome the opportunity to support your agencies' efforts to ensure access to credit by all qualified borrowers and your efforts to combat lending discrimination. Forging a mutually advantageous and coordinated working relationship between your Departments and the Office of Thrift Supervision will further strengthen the Administration's response to the pressing national need for eradicating lending discrimination from the credit markets. As a start, we have the following suggestions:

First, I support a coordinated effort between the Justice Department and OTS in fair lending investigations of thrift institutions. This relates to on-site investigations of thrifts in connection with possible pattern or practice lawsuits. Staff at OTS and Justice have had discussions over the past two years about working more closely together and have exchanged correspondence. It is my understanding that our present arrangement with Justice is essentially the same as the arrangement Justice reached with the OCC and the FRB at a meeting in April 1993. I would like to address any remaining problems and differences that may exist in establishing a mutually acceptable arrangement between Justice and OTS. My staff and I are available to meet at your convenience.

Honorable Janet Reno
Honorable Henry Cisneros
Page 2

Second, I fully support OTS and HUD working closely together in connection with HUD's testing program, as stated in my March 29, 1993 letter to Secretary Cisneros (see Attachment A). I believe this particular program represents an excellent vehicle for sharing information and coordinating activities to improve our discrimination detection methods. We were advised by HUD staff in a July 2, 1993 meeting that they are willing to share testing results relating to thrifts. I think this is a good starting point and would hope that OTS staff will be utilized in this process. There are obvious benefits to both OTS and HUD from a coordinated approach.

Third, as a separate but somewhat related matter, OTS continues to be interested in participating in an interagency effort to better coordinate the federal government's affordable housing programs. The purpose of the effort would be to coordinate affordable housing programs and initiatives, and address barriers to the provision of such housing. This is a matter I raised previously with Terry Duvernay and Bruce Katz at HUD. I have attached a description of a similar task force set up last year (see Attachment B).

We, of course, would welcome any suggestions you might have as to how our agencies might better coordinate our efforts.

Fair lending and affordable housing are the most important housing issues facing OTS as the primary regulatory of the thrift industry. Combining our expertise in the spirit of cooperation can only improve upon the work we have already started, and the government's overall response to these issues.

I would appreciate the opportunity to meet with you or your designees to establish an agenda for improving upon our present level of cooperation and addressing any specific issues you have identified. Because OCC, FDIC, FRB and OTS have been working for months to coordinate our respective efforts in these areas, you might consider a meeting of all four banking agencies. Please let me know what would be convenient for you.

Attachments



Office of Thrift Supervision
Department of the Treasury

1700 G Street, N.W., Washington, D.C. 20552 • (202) 906-6590

March 29, 1993

The Honorable Henry G. Cisneros
Secretary
U.S. Department of Housing and Urban Development
451 7th Street, S.W.
Washington, D.C. 20410

Dear Secretary Cisneros:

I am writing about HUD's funding, through the Fair Housing Initiatives Program ("FHIP"), of a project to develop an improved, valid and reliable methodology for the "testing" of mortgage lending practices. This project is of interest to the Office of Thrift Supervision ("OTS") as the regulator of the savings and loan industry, an industry very active in the mortgage lending market.

I believe there may be ways for OTS and HUD to work cooperatively to further the objectives of HUD's testing program and OTS's objective of combatting lending discrimination in the savings and loan industry. For example, we might help identify areas where your limited testing resources might be best targeted and also provide valuable information and assistance evaluating the testing data you obtain. I would welcome the opportunity to explore ways for our two agencies to work together to further our common objectives in this important area.

Sincerely,

Jonathan L. Flechter
Acting Director



Office of Thrift Supervision
Department of the Treasury

1200 Street N.W., Washington, D.C. 20551 • 202/473-6600

March 29, 1993

MEMORANDUM TO: Jonathan Flechter
Acting Director

FROM: Sonja Rodriguez, Chairperson of the Task Force
and Barry Wides, Chairperson of Uniformity
Subcommittee

SUBJECT: Interagency Affordable Housing Task Force

A. OVERVIEW

On October 6, 1992, a senior level interagency meeting co-chaired by Timothy Ryan, then Director of OTS, and John Weicher, then Assistant Secretary for Policy Development and Research at HUD, was held to discuss the need for better uniformity in and coordination of interagency efforts in affordable housing, and resolution of key programmatic and regulatory barriers to the delivery of affordable housing (see Attachment A for a list of attendees). There was general consensus among the principals and senior officials that a unified attempt to improve upon the delivery of affordable housing was important. Given that, the following agencies, departments and government-sponsored enterprises who play various key roles in the affordable housing delivery process agreed to form an interagency task force on affordable housing for the purpose of addressing these issues:

- Department of Housing and Urban Development
- Office of Management and Budget
- Department of the Treasury
- Department of Veterans Affairs
- Farmers Home Administration
- Office of Thrift Supervision
- Federal Deposit Insurance Corporation
- Office of the Comptroller of the Currency
- Federal Reserve Board
- Resolution Trust Corporation
- National Credit Union Administration
- Federal Home Loan Mortgage Corporation
- Federal National Mortgage Association
- Federal Housing Finance Board

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The task force, which consists of representatives from each of the agencies (see Attachment B for a list of task force members), has continued to meet over the past six months to explore a number of significant interagency issues. The meetings to date have been quite productive and the members cooperative and committed to the group's efforts. Although the principals have not met since the initial meeting, minutes outlining the work of the task force have been distributed to the agencies.

As you requested, this memo sets forth the task force's work to date and plan for future work.

B. AFFORDABLE HOUSING TASK FORCE

At its inception, the task force defined as its goal the improvement of the delivery of affordable housing through better interagency coordination, and established the following set of objectives:

- To identify and address regulatory and programmatic barriers to the delivery of affordable housing.
- To develop an ongoing forum for better interagency coordination and communication.
- To facilitate access to and exchange of information with the public, through improved public access to information and formal solicitation of public input.

These efforts have and will be undertaken within the context of the various agencies programs and regulations. The group members also agreed to work cooperatively to further the goal of the task force, notwithstanding the likelihood of having to address very controversial and sensitive issues particular to one or more of the agencies involved.

Over the past few months, the task force has chosen to focus on the first objective, which we view as a critical first step in improving the delivery of affordable housing. Initially, the group identified approximately 23 high priority and 5 lower priority potential barriers. The high priority barriers were combined into three sub-categories focusing on the following topics (see Attachment C):

- The risks of affordable housing lending and the potential barriers due to regulations of the financial institution regulatory agencies.
- The impact of secondary market underwriting guidelines and requirements on the delivery of affordable housing.

- The lack of uniformity of definitions and requirements across the various housing programs.

The following section provides a brief overview of the subcommittees' work to date.

1. Subcommittee on Risk and Regulatory Barriers

This subcommittee is dealing with two interrelated issues: risk and regulatory barriers. Agency regulations, the examination process, institution lending practices, and underwriting guidelines of the industry and the secondary market are dictated by the perception of risk. Yet, there are divergent views of the risks associated with affordable housing lending, with not a great deal of supporting statistical data, particularly in the area of multi-family lending. The members agreed that a better understanding of the "risks" of affordable housing lending was critical in addressing potential regulatory issues, as well as certain issues relating to the secondary market, due to potential safety and soundness implications.

There are various efforts underway to evaluate risk. The Federal Reserve is required by statute to conduct a study on the risks of community development lending, including affordable housing, by October 1993. Others (such as General Electric, Fannie Mae, the Woodstock Institute) have or are in the process of conducting limited risk studies, primarily in the area of single-family affordable housing lending. The OTS is attempting to gather this available data. The subcommittee members have volunteered to provide any useful information to the Federal Reserve and the OTS, and await the results of their work to determine whether additional work will be needed.

To identify regulatory barriers, the subcommittee needs to talk with affordable housing lenders and other housing experts to get feedback on regulatory impediments to affordable housing lending. By speaking with these individuals, we hope to more specifically identify regulations or sections thereof, or regulatory policy that is deemed to impede affordable housing lending. We can then determine those problems that can be dealt with consistent with safety and soundness considerations, and formulate the issues for consideration by the agency principals or key decision makers. The meetings are being scheduled over the next several weeks.

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2. Subcommittee on Uniformity of Definitions

This subcommittee is addressing the problem caused by various affordable housing programs using different definitions of key terms and taking different approaches to similar programmatic issues. These variances among affordable housing programs make it difficult for low income housing providers to combine subsidy resources in one project. These differences also make it quite confusing for a lender and other non-affordable housing specialists to use the various programs that are currently being made available.

This subcommittee identified the following areas where affordable housing programs could be made to operate more uniformly:

- Initial income eligibility requirements.
- Household size adjustments for income eligibility.
- Definitions of household income.
- Types of eligible households.
- Methods of calculating maximum and minimum tenant rent contribution.
- Geographic target areas.
- Form and length of the term of restrictive covenants on a property's use as affordable housing.
- Priority of recapture of subsidy in the case of noncompliance.
- Cost limits per assisted unit.
- Different reporting requirements for compliance monitoring.
- Determination of federal funds.

By the end of April, the subcommittee will have developed a matrix that identifies how various affordable housing programs treat each of the aforementioned issues. In April and May, affordable housing practitioners will be asked to identify specific problems they have encountered in using programs with the varying requirements, particularly when two or more programs are used in combination. The subcommittee will seek their input as to how the programs can be simplified and made to operate more easily in combination with one another, and then make any policy change recommendations in this area for consideration by the principals.

3. Subcommittee on Secondary Markets

This subcommittee is examining the impact of secondary market underwriting guidelines on the delivery of affordable housing, with its initial focus on issues

-3-

relating to single-family housing. Specifically, the subcommittee is considering whether and how secondary market guidelines create disincentives to the origination of mortgages aimed at lower income, minority and "nontraditional" borrowers. Among the issues being reviewed are (1) the recent efforts by Freddie Mac and Fannie Mae to encourage lenders to interpret their guidelines more flexibly, (2) the extent to which secondary market repurchase policies may discourage lenders from making affordable housing loans, (3) areas in which standard underwriting guidelines might be modified, and (4) other policies or practices that may inhibit lender participation in affordable housing programs or discourage lenders from making low-balance mortgages. Issues relating to the secondary market and multifamily housing will be dealt with in the longer term, with consideration given to standardization of loan documentation, underwriting criteria, standardized definitions, and servicing procedures.

The subcommittee is in the process of setting up informal meetings with key affordable housing lending practitioners experienced in dealing with secondary market entities. The interviewees will be asked to identify any secondary market guidelines or requirements that negatively impact the delivery of affordable housing, explain how these guidelines and requirements do so, and offer suggested solutions. A literature search is also being performed to identify studies and other resource information of possible help to the subcommittee.

2. CONCLUSION

The task force is making progress toward identifying ways to improve upon the delivery system for affordable housing. We are encouraged by the work done to date. It is important, however, to ensure that the principals are comfortable with the direction and priorities of the task force, and solicit your input in this regard.

Attachment A: Task Force Meeting Attendees

B: Task Force Members

C: Issues Identified by Task Force

cc: Task Force Members

S. Rodriguez

OTS

29-Mar-93

Attachment A
 INTERAGENCY AFFORDABLE HOUSING
 TASK FORCE MEETING ATTENDEES

October 6, 1992

<u>Attendees</u>	<u>Agency</u>
Timothy Ryan	OTS
Sonja Rodriguez	OTS
Peggy Miller	OTS
John Weicher	HUD
Fred Eggers	HUD
John Ross	HUD
John Goering	HUD
Dan Evans, Jr.	FHFB
Sylvia Martinez	FHFB
Leland Brendsel	Freddie Mac
Craig Thomas	Freddie Mac
Jim Johnson	Fannie Mae
Marty Levine	Fannie Mae
Ellen Seidman	Fannie Mae
Albert W. Casey	RTC
Stephen Allen	RTC
Barry Wides	RTC
Stephen R. Steinbrink	OCC
Janice A. Booker	OCC
Andrew Hove	FDIC
Arthur F. Lorentzen, Jr.	FDIC
Sandra Braunstein	Federal Reserve Board
Robert Swan	NCUA
Mike Giere	FmHA
Ronnie Tharrington	FmHA
Alan Rhinesmith	OMB
Jennifer Main	OMB
Thomas W. Maner	VA
George Knight	Neighborhood Reinvestment

S. Rodriguez
 OTS
 19-Mar-93

Attachment B
INTERAGENCY AFFORDABLE HOUSING
TASK FORCE MEMBERS

Stepnen S. Allen
Director, Affordable Housing Disposition Program
Resolution Trust Corporation

Obediah Baker
Director, Multi-Family Housing Processing Division
Farmers Home Administration

Janice A. Booker
Director, Community Development Division
Office of the Comptroller of the Currency

Sandra Braunstein
Program Manager
Division of Consumer and Community Affairs
Federal Reserve Board

Tim Burniston
Deputy Assistant Director for Policy, Specialized Programs
Office of Thrift Supervision

John Butler
Executive Assistant to the Vice Chairman
National Credit Union Administration

Diane Dorius
Deputy Director
Housing Finance Directorate
Federal Housing Finance Board

Donna Duncan
National Bank Examiner
Chief National Bank Examiners Division
Office of the Comptroller of the Currency

Fred Eggers
Deputy Assistant Secretary for Economic Affairs
Office of Policy Development and Research
Department of Housing and Urban Development

Robert Fishman
Program Manager, Credit Risk
Policy Division
Office of Thrift Supervision

Jeri Gilland
Assistant Chief National Bank Examiner
Office of the Comptroller of the Currency

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Larry Hammond
Director, Single Family Housing Processing Division
Farmers Home Administration
Department of Agriculture

Jim Hricik
Supervisory Loan Specialist
Loan Guaranty Service
Department of Veterans Affairs

Jane Katz
Assistant Director of Community Lending
Federal National Mortgage Association

Mark A. Kinsey
Senior Financial Economist
Department of the Treasury

Jennifer Main
Budget Examiner
Office of Management and Budget

Sylvia Martinez
Director
Housing Finance Directorate
Federal Housing Finance Board

Peggy Miller
Consultant to the Office of Thrift Supervision (non-permanent member)

Bobbie Jean Morris
Deputy Director
Office of Consumer Affairs
Federal Deposit Insurance Corporation

Mitchell Rappaport
Attorney-Advisor
Office of Tax Policy
Department of the Treasury

Sonja Rodriguez
Special Assistant to the Director
Office of Thrift Supervision

John Ross
Director, Economic and Public Finance Division
Office of Policy Development and Research
Department of Housing and Urban Development

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Daniel Russell
Vice President of Affordable Housing
Federal Home Loan Mortgage Corporation

William Ryan
Office of Examination and Insurance
National Credit Union Administration

Jack Taylor
Senior Liquidation Specialist "Affordable Housing"
Federal Deposit Insurance Corporation

Draig Thomas
Director, Agency Relations
Government and Industry Relations
Federal Home Loan Mortgage Corporation

Barry Wides
Deputy Director, Affordable Housing Disposition Program
Resolution Trust Corporation

Maury Zeitler
Community Development Division
Office of the Comptroller of the Currency

S. Rodriguez
JTS
19-Mar-93

Attachment C

ISSUES IDENTIFIED BY THE
INTERAGENCY AFFORDABLE HOUSING TASK FORCESubcommittee on Uniformity of Definitions

1. Review the following areas in various affordable housing programs with an eye towards achieving more uniform treatment:
 - initial income eligibility requirements;
 - household size adjustments for income eligibility;
 - definitions of household income;
 - types of eligible households;
 - methods of calculating maximum and minimum tenant rent contribution;
 - geographic target areas;
 - form and length of the term of restrictive covenants on a property's use as affordable housing;
 - priority of recapture of subsidy in the case of noncompliance;
 - cost limits per assisted unit; and
 - differing reporting requirements for compliance monitoring.
2. Review the feasibility of developing a common definition of "Federal" funds among the various affordable housing programs.

Subcommittee on Risk and Regulatory Barriers

1. Explore means of better quantifying the risks of affordable housing lending.
2. Review the impact that the following may have on affordable housing lending:
 - risk-based capital rules (including requirements associated with recourse transactions);
 - real estate lending standards (new loan-to-value rules);
 - uniform appraisal requirements;
 - standards for asset classification; and
 - Community Reinvestment Act (CRA) examination process.
3. Evaluate the adequacy of examiner training on the risk of various affordable housing lending products.

Subcommittee on the Secondary Market

1. Review the impact of the secondary market single-family underwriting standards or other policies or practices on lenders' willingness to originate affordable housing loans.
2. Determine the adequacy of existing secondary market products specifically designed to address needs of affordable housing borrowers.
3. Review the impact of secondary market underwriting standards on minorities and other types of borrowers with historically low rates of home ownership.
4. Review barriers to the development of the secondary market for multifamily loans.
5. Review the impact of secondary market rules for financing condominiums and planned unit developments.

Issues Not Being Reviewed by Existing Subcommittees

1. Review the adequacy of interagency coordination of sales of residential real estate and explore how this real estate can be best used to further national affordable housing goals.
2. Explore means of better quantifying the risk of small business and community development lending.
3. Evaluate the adequacy of data on small business lending by financial institutions.
4. Evaluate the impact of "energy efficient" lending products on delinquency and default rates.
5. Improve interagency efforts to develop means of detecting and mitigating the presence of toxic substances in residential housing.

S. Rodriguez
DTS
29-Mar-93

HOMER MORTGAGE DISCLOSURE ACT DISCLOSURE STATEMENT EXPLANATION OF NOTES

THE NOTES FOR TABLES 1-6 REFER TO BOTH THE DISCLOSURE STATEMENTS OF INDIVIDUAL FINANCIAL INSTITUTIONS AND THE AGGREGATE TABLES FOR ALL FINANCIAL INSTITUTIONS IN THE MSA. THE NOTES FOR TABLES 9 AND 10 REFER TO AGGREGATE TABLES ONLY. FOR CATEGORIZATION INTO GROUPS, PERCENTAGES ARE NOT ROUNDED. IF THERE ARE 100 DATA REPORTED FOR A PARTICULAR TABLE, THAT TABLE WILL NOT BE PRINTED.

1. ALL CENSUS TRACT AND COUNTY DEFINITIONS AND POPULATION COUNTS ARE BASED ON THE 1990 CENSUS OF POPULATION AND HOUSING.
2. THE "INVALED GEOGRAPHIC IDENTIFIERS" FROM CONRADIS DATA FOR WHICH FINANCIAL INSTITUTIONS REPORTED STATE OR COUNTY CODES ON CENSUS TRACTS OR COUNTIES OR BOTH ARE: 1. 1990 CENSUS TRACTS OR COUNTIES FOR WHICH FINANCIAL INSTITUTIONS DID NOT REPORT THIS INFORMATION. 2. THE RATIO FOR "INVALED MSA BARRIERS" CONTAINS DATA FOR WHICH FINANCIAL INSTITUTIONS REPORTED INVALED MSA BARRIERS ACCORDING TO THE MSA BARRIERS, AS DEFINED BY THE U.S. OFFICE OF MANAGEMENT AND BUDGET, THAT WERE IN EFFECT ON JANUARY 1 OF THE CALENDAR YEAR FOR WHICH THE DATA WAS PROVIDED.
3. IN AGGREGATE TABLE 1, PERCENTAGE MINORITY POPULATION 1-2 WITH POP-1 HAVING THE PERCENTAGE SUS TRACT CONSISTS OF THOSE REPORTED FOR RACES, AND WHITES OF HISPANIC ORIGIN. PERCENTAGES ARE ROUNDED TO THE NEAREST FULL PERCENTAGE POINT.
4. IF TWO APPLICANTS FROM DIFFERENT MINORITY GROUPS ARE REPORTED, THEY ARE GROUPED BY THE RACE OF THE FIRST PERSON LISTED ON THE APPLICATION.
5. JOINT HEARS WHITE AND MINORITY GROUP CO-APPLICANTS.
6. NOT AVAILABLE INCLUDES SITUATIONS WHERE DATA HAS NOT BEEN REQUIRED TO BE COLLECTED OR HAS OTHERWISE NOT BEEN REPORTED.
7. JOINT HEARS CO-APPLICANTS OF THE OPPOSITE GENDER.
8. APPLICANTS ARE CATEGORIZED BY THE RATIO OF THEIR REPORTED INCOME TO THE MEDIAN FAMILY INCOME OF THE MSA. THE MEDIAN FAMILY INCOME OF THE MSA IS BASED ON ESTIMATES DEVELOPED BY THE BUREAU OF ECONOMIC ANALYSIS AND DEVELOPMENT (BEA), WHICH ARE UPDATED ANNUALLY. THE FIGURE FOR THE MSA IS THE MID-ESTIMATE FOR THE FISCAL YEAR THAT CORRESPONDS TO THE YEAR FOR WHICH THE LOAN/APPLICATION DATA ARE REPORTED.
9. THE TYPE OF CENSUS TRACT IS BASED ON DEMOGRAPHIC INFORMATION FROM THE 1990 CENSUS OF POPULATION AND HOUSING. IT IS NOT BASED ON REPORTED APPLICANT CHARACTERISTICS.
10. MINORITY HEARS ALL NON-WHITE RACES AND WHITES OF HISPANIC ORIGIN.
11. LOW OR MODERATE INCOME CATEGORY CONSISTS OF CENSUS TRACTS WHERE THE MEDIAN FAMILY INCOME IS LESS THAN 80 PERCENT OF THE MEDIAN MSA INCOME. BASED ON THE 1990 CENSUS OF POPULATION AND HOUSING. THE MIDDLE INCOME CATEGORY CONSISTS OF CENSUS TRACTS WHERE THE MEDIAN FAMILY INCOME IS 80 TO 120 PERCENT OF THE MEDIAN MSA INCOME. THE UPPER INCOME CATEGORY CONSISTS OF CENSUS TRACTS WHERE THE MEDIAN FAMILY INCOME IS GREATER THAN 120 PERCENT OF THE MEDIAN MSA INCOME.
12. IN TABLE 3, THE TOTAL LOAN AMOUNT AND DOLLAR AMOUNT FOR EACH RACE GROUP MAY INCLUDE THOSE LOANS WHERE THE INFORMATION CONCERNING THE APPLICANT OR THE CENSUS TRACT CHARACTERISTICS WAS NOT AVAILABLE.
13. THE TERM "TOTAL" INCLUDES BOTH THOSE CASES WHERE GENDER WAS REPORTED AND THOSE WHERE THIS INFORMATION WAS NOT AVAILABLE.
14. "APPLICATIONS RECEIVED" EQUALS THE TOTAL NUMBER OF LOANS ORIGINATED, APPLICATIONS APPROVED BUT NOT CLOSING, APPLICATIONS APPROVED BUT NOT CLOSING AND WITHDRAWN, FILES CLOSED FOR INCOMPLETENESS. IT DOES NOT INCLUDE DATA FOR APPLICATIONS RECEIVED AND APPROVED BY FINANCIAL INSTITUTIONS WHERE THE LOANS WERE SUBSEQUENTLY ORIGINATED IN THE NAMES OF OTHER INSTITUTIONS, PURSUANT TO AN AGREEMENT BETWEEN THE PARTIES.
15. INCLUDES CENSUS TRACT BARRIERS THAT WERE REPORTED BUT FOR WHICH NEITHER INCOME NOR RACE DEMOGRAPHIC INFORMATION WAS AVAILABLE.
16. INSTITUTIONS ARE NOT REQUIRED TO REPORT REASONS FOR LOAN DENIALS. TOTAL INCLUDES CASES WHERE MULTIPLE REASONS WERE REPORTED.
17. CENSUS TRACTS ARE GROUPED ACCORDING TO AGE. BECAUSE THE CENSUS DATA ON HOUSEHOLD AGE IS CATEGORIZED IN INTERVALS OF SEVEN YEARS, THE MEDIAN HOUSEHOLD AGE FOR CENSUS TRACTS IS DETERMINED BY CALCULATING THE MID-POINT OF THE TRACT'S AGE INTERVAL. THE TRACT'S AGE IS DETERMINED BY THE TABLE BY THE TIME PERIOD IN WHICH THE TRACT WAS BUILT.
18. FOR MSAS WITH MORE THAN ONE CITY NAME, ALL CENTRAL CITIES ARE INCLUDED.
19. MSA LESS CENTRAL CITY INCLUDES ALL CENSUS TRACTS OUTSIDE THE CENTRAL CITY FOR CITY BUT WITHIN THE MSA.

AGGREGATE TABLE 3: LOANS SOLD, BY CHARACTERISTICS OF BORROWER AND OF CENSUS TRACT
IN WHICH PROPERTY IS LOCATED AND BY TYPE OF PURCHASER, 1972

10/07/93

NATIONAL AGGREGATES

BORROWER OR CENSUS TRACT CHARACTERISTICS	TYPE OF PURCHASER																			LIFE INSURANCE COMPANY	SAVINGS BANK OR SEL	COMMERCIAL BANK	FHA	FHLBC	GNIA	FHA	AFFILIATE OF INSTITUTION	OTHER PURCHASER
	0	1	2	3	4	5	6	7	8	9	0	1	2	3	4	5	6	7	8	9								
BORROWER CHARACTERISTICS																												
RACE 1/	4420	46955	2136	150911	3500	371377	61	461	510	39736	163	20034	50	9369	006	90021	4211	472205										
AMERICAN IND./ALASKAN NATIVE	6079	790865	690	48207	15076	7665905	51	4274	1203	170813	1097	202200	1071	277909	7796	1301220	20609	5035509										
PACIFIC ISLANDER	20562	2693361	33255	435002	117479	1690312	79	9667	2551	203535	1294	102227	470	67270	941	7341251	31304	2715472										
BLACK	45232	1046046	15702	1077930	355027	3555412	60	6012	2239	200531	095	81900	600	19019	8007	567224	29590	2065126										
HISPANIC	12284	1,444,604	15,753	2,496,719	35,502,719	40,667,212	25,020	22,951,7	57,029	56,750,001	50,706,6	16,740,2	28,275,7	19,665,3	5,615,6	15,543,3	6,754,9											
WHITE	6611	731,740	14,693	12,755,4	33,000	30,510,9	71	9,491	1,693	20,373,3	95	18,552	151	24,130	941	19,270,0	21,603	35,22,95										
OTHER	20,413	3,227,465	12,797	11,020,5	21,255	24,278,7	41	5,691	1,297	13,436,4	652	7,007,1	422	68,279	5,720	61,917,0	15,036	21,840,0										
JOINT (WHITE/MINORITY) 5/	59,651	8,824,076	40,353	21,967,1	22,553,2	54,567,1	401	80,127	7,507	10,092,10	10,320,1	12,024,30	5,610	48,500,2	5,670,6	1,023,7	12,013,1	3,366,7										
RACE NOT AVAILABLE 1/																												
BORROWER CHARACTERISTICS																												
SEX 1/	102,531	754,000	10,924	16,542,00	11,39E3	1,37E7	475	39,137	9,093	80,661,5	6,631	11,055,6	2,571	5,905,0	4,516,7	15,306,37	1,00E3	1,153,7										
MALE	162,531	3,54E7	12,704,1	2,35E7	10,493,10	4,49E7	406	29,081	7,097	81,051,5	4,561	5,147,0	1,923	2,350,7	3,623,7	13,009,45	10,974	7,226,9										
FEMALE	109,841	1,20E6	27,642	3,55E7	10,493,10	4,49E7	1,992	10,901	1,500	5,240,6	5,353	3,940,0	5,224	6,229,1	4,519,7	9,564,90	1,06E3	1,29E7										
JOINT (MALE/FEMALE) 2/																												
SEX NOT AVAILABLE 1/																												
INCOME 8/	15,1E3	9,916,003	70,770	16,395,05	11,23E5	10,092,22	500	34,053	11,717	0,120,67	8,962	30,072,5	2,199	22,045,6	37,303	21,962,2	1,00E3	1,758,44										
LESS THAN 80% OF MSA MEDIAN	15,4E3	23,9E7	65,004	51,346,1	11,12E5	10,091,00	366	24,053	7,152	51,445,3	4,963	35,489,9	1,610	13,456	50,044	21,260,0	1,325	15,043,3										
80-90% OF MSA MEDIAN	17,7E3	61,3E7	15,112	14,551,0	13,641	11,067,8	290	25,552	1,274	5,969,3	4,958	11,422,6	1,793	16,697,1	12,276	26,300	16,731	16,731										
90-120% OF MSA MEDIAN	15,1E3	1,77E7	11,03E3	19,405,20	50,641	6,52E7	1,020	11,864	2,906	10,681,0	10,681,0	6,601	51,964,6	3,022	35,540,6	12,506,1	0,29E7	1,01E3										
MORE THAN 120% OF MSA MEDIAN	12,59E3	2,40E7	13,4E3	7,61E7	14,0E3	5,37E7	42	70,751	7,990	45,010	5,601	3,756,4	3,022	35,540,6	12,506,1	0,29E7	1,01E3	2,81E7										
INCOME NOT AVAILABLE 8/																												
CENSUS TRACT CHARACTERISTICS 3/																												
RACIAL COMPOSITION 10/	01,3E3	7,403,000	120,000	2,80E7	15,79E3	3,55E7	1,669	17,591,5	35,294	30,142,7	26,505	20,223,0	9,206	13,750,2	20,091,5	67,617	15,013,1	0,02E7										
LESS THAN 10% MINORITY	52E4	5,51E7	11,4E3	1,534E7	12,5E3	2,85E7	403	6,995,7	13,150	14,440,9	8,127	11,704,0	6,573	10,097,6	6,216,0	1,08E7	1,07E3	1,25E7										
10-19% MINORITY	249E3	2,74E7	11,5E3	1,254E7	11,0E3	1,170E7	362	5,940,9	877	5,543,5	6,371	6,934,0	5,605	9,522,0	3,770	10,959,8	12,100	13,448,3										
20-49% MINORITY	175,044	805,576	40,325	15,206,1	15,453,3	16,110,0	96	509	1,393	11,571,6	6,96	63,753	439	37,006	4,192	36,090	23,991	21,366,9										
50-79% MINORITY	33,161	307,644	24,078	11,004,5	2,28E7	2,28E7	52	70,751	7,990	45,010	5,601	3,756,4	3,022	35,540,6	12,506,1	0,29E7	1,01E3	2,81E7										
80-100% MINORITY																												
INCOME 11/	10,6E3	93,209,1	164,970	14,657,10	10,059,1	23,007,7	255	21,050	5,601	42,907,0	9,727	30,405,0	1,502	13,527,5	22,017	11,742,0	17,302	14,504,7										
LOW OR MODERATE INCOME	71E4	4,65E7	13,91E3	8,09E7	15,2E3	4,08E7	1,374	12,030,4	30,008	12,084,5	12,051,5	17,007,7	7,610	6,753,3	13,073,1	7,77E7	15,131,3	2,29E7										
HIGH INCOME	67,2E3	7,47E7	11,7E3	1,534E7	14,60E3	6,35E7	1,004	14,207,4	25,239	32,701,7	26,740,4	10,966	22,372,0	1,64E3	5,27E7	15,131,3	1,01E7	1,01E7										
UPPER INCOME																												
TOTAL 12/	179E4	1,790E8	056E3	6,544E7	11,31E4	1,504E8	3,255	54,549,1	124,04	174,626,5	16,652,0	16,652,0	15,210	39,660,1	59,4E3	21,6E7	16,791,3	1,31E8										

AGGREGATE TABLE 4-11 DISPOSITION OF APPLICATIONS FOR FHA, FHMA, AND VA HOME-PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY RACE, GENDER AND INCOME OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

RACE, GENDER AND INCOME 4/13/92	APPLICATIONS RECEIVED 14/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S
AMERICAN INDIAN/ALASKAN NATIVE (TOTAL)	3809	201236	2560	195260	54	2651	666	43377	446	34324	83	6622
MALE	1955	74622	695	56038	16	1117	175	11212	140	10295	27	1960
FEMALE	951	56869	572	55972	9	555	157	6745	99	6986	14	611
JOINT (MALE/FEMALE) Z/	1809	143206	1218	99969	27	1179	324	22724	201	16666	39	2668
ASIAN/PACIFIC ISLANDER (TOTAL)	11641	1101124	6527	612039	63	7175	1573	143673	1296	123537	162	14600
MALE	2757	240545	1967	175062	18	1508	409	53002	326	28695	37	2666
FEMALE	1590	130504	1198	99378	12	678	196	15635	156	12610	26	1995
JOINT (MALE/FEMALE) Z/	7259	727458	5336	536935	53	4989	963	93810	609	61895	98	9909
BLACK (TOTAL)	60553	5902320	50065	5036928	1028	51024	17283	1263332	8672	647840	1805	105976
MALE	20862	1430817	12994	9235540	261	13108	4046	504812	2320	165192	441	27965
FEMALE	22918	1459734	14708	969607	307	13462	5012	282609	2436	150390	487	26686
JOINT (MALE/FEMALE) Z/	36696	3009519	22278	1935069	435	24459	9383	676791	5895	321836	694	51124
HISPANIC (TOTAL)	52277	3651446	56012	2654363	739	45085	9639	654138	5982	444267	1165	73613
MALE	11459	948421	5918	2648339	172	11519	2079	143171	1389	94267	232	18612
FEMALE	16808	948421	5918	2648339	107	4749	1122	43371	1429	94267	142	7907
JOINT (MALE/FEMALE) Z/	36752	2622253	22235	1817960	460	20065	6464	433906	3826	291056	767	50476
WHITE (TOTAL)	583931	433360416	460845	33631920	10354	421434	74512	4665737	50842	3863617	7350	553508
MALE	125407	8778309	93761	6754953	2095	61934	16071	965530	11542	841091	1910	136801
FEMALE	85647	5459063	65853	4334211	1790	59611	9931	518820	7088	461786	985	64635
JOINT (MALE/FEMALE) Z/	3728420	29689247	288925	22272767	6464	279593	48445	3178689	32140	2554473	4448	353605
OTHER (TOTAL)	2353	211021	1610	150147	53	1922	376	23371	275	25294	59	5087
MALE	432	54074	371	35132	11	645	142	11219	94	8111	14	967
FEMALE	289	22216	199	15846	6	210	44	9027	36	2808	4	325
JOINT (MALE/FEMALE) Z/	1266	119958	866	86516	15	967	188	15026	138	13781	39	3648
JOINT (WHITE/MINORITY) Z/ (TOTAL)	23432	1997930	17232	1500467	230	13507	3459	264156	2243	197786	268	27174
MALE	499	40024	352	28368	7	406	90	7325	43	3394	7	511
FEMALE	406	31978	311	24791	2	71	59	4472	31	2416	3	228
JOINT (MALE/FEMALE) Z/	22429	1917352	16496	1448583	220	13259	3299	251703	2159	191133	235	20674
RACE NOT AVAILABLE Z/ (TOTAL)	23155	2066195	11346	988008	447	36650	5700	428951	5908	460287	1754	147519
MALE	2488	205105	1259	106251	60	8026	494	58728	563	44620	92	7478
FEMALE	1369	96357	772	55452	39	3039	275	16830	563	44620	92	7478
JOINT (MALE/FEMALE) Z/	6435	611432	3793	372045	98	10073	1206	108429	1174	109770	184	13315
INCOME OF APPLICANTS Z/												
LESS THAN 80% OF MSA MEDIAN	216841	113654611	158069	10112065	2564	149099	33162	1802501	10100	1167975	2958	182401
80-99% OF MSA MEDIAN	127126	9808667	100150	7804634	1142	44083	13479	1944082	9833	775980	1824	116586
100-120% OF MSA MEDIAN	97795	8284199	77491	6550721	825	58080	18783	849546	7744	665964	1032	83878
MORE THAN 120% OF MSA MEDIAN	150862	15131160	124996	12043002	1436	112050	17076	1602737	13633	1313160	1819	159403
INCOME NOT AVAILABLE Z/	19766	1503989	7917	604364	212	17328	4334	310933	5344	416637	1961	154707

DISPOSITION OF APPLICATIONS FOR CONVENTIONAL HOME-PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY RACE, GENDER AND INCOME OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

RACE, GENDER AND INCOME 5/13/	APPLICATIONS RECEIVED 14/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S
AMERICAN INDIAN/ALASKAN NATIVE (TOTAL)	12617	1107125	7280	713260	738	45027	3551	196920	1102	133760	146	16168
MALE	5247	266432	1011	159767	101	9523	906	55691	300	55559	49	5802
FEMALE	2916	169998	1548	116220	202	8723	862	35680	234	22359	37	4128
JOINT (MALE/FEMALE) Z/	6553	646661	3619	429943	355	26781	1566	101501	553	74196	60	8156
ASIAN/PACIFIC ISLANDER (TOTAL)	98073	15053130	68416	10176023	2658	450223	14979	2325115	10445	1810175	1575	263594
MALE	19343	2704643	12485	1667444	553	87133	5705	513614	2206	557051	395	59401
FEMALE	12623	1657022	6473	9792639	566	48727	2206	291605	1378	208771	200	28750
JOINT (MALE/FEMALE) Z/	65802	10640286	47254	7378136	1736	315669	9029	1815101	6029	1247623	972	193477
BLACK (TOTAL)	114793	8079709	56516	4704522	6740	278125	41192	2150431	8041	827690	1504	138941
MALE	27643	1691015	12029	919557	1918	67122	18408	408636	2101	182052	395	52846
FEMALE	37124	2047439	17595	1154132	2291	79294	14164	692191	2450	182527	450	58295
JOINT (MALE/FEMALE) Z/	49702	4322566	25937	2620634	2528	139953	16489	1040405	4091	455495	657	71401
HISPANIC (TOTAL)	116327	11375127	66995	6842894	4539	550791	31701	2702355	11085	1255552	2009	216055
MALE	25063	2406105	13618	1327816	1198	86772	8044	656780	2497	274781	514	20689
FEMALE	15636	1253931	8018	737244	634	41566	4466	312965	1427	157147	249	28699
JOINT (MALE/FEMALE) Z/	74662	7697976	44465	4767999	2702	230024	17131	1720779	7156	861044	1222	130150
WHITE (TOTAL)	2208691	2,1468	1543038	1,607568	86936	5761208	351156	24080199	164060	19794577	21711	2410764
MALE	1156101	14591468	774028	24944372	20947	1160163	85087	5914212	35613	5091661	5137	681232
FEMALE	315432	22033509	216014	16257328	15748	637071	58525	2944222	21566	1914267	2949	206021
JOINT (MALE/FEMALE) Z/	1476590	1,552160	1066952	1,194350	51113	5941457	207451	16022585	111449	13960066	13695	1845911
OTHER (TOTAL)	10774	1343226	6747	863424	402	52210	2266	234904	1099	160039	100	24649
MALE	2630	297697	1454	166349	143	14350	606	63311	297	43628	50	10049
FEMALE	1166	103203	659	61992	73	4042	298	29261	114	14344	22	1744
JOINT (MALE/FEMALE) Z/	6152	840660	4024	556940	246	29508	1159	137286	637	104235	106	12605
JOINT (WHITE/MINORITY) 5/ (TOTAL)	58662	6204598	35277	4562532	1492	153663	8927	859206	4378	612155	688	97054
MALE	2237	2475640	1486	1789542	65	7992	479	43017	185	23167	24	2912
FEMALE	1374	186829	935	161400	37	3177	286	21659	103	11125	13	1470
JOINT (MALE/FEMALE) Z/	46044	5624084	32708	4223679	1366	141679	6126	799275	4075	575779	551	92672
RACE NOT AVAILABLE 6/ (TOTAL)	142439	17384654	73568	9757648	6994	959930	58012	3642668	18503	2357599	5370	486897
MALE	12930	1327960	6625	767809	845	83284	4087	298014	2019	234532	354	54657
FEMALE	9352	804963	3858	360613	827	74805	3125	179010	1234	124678	254	34697
JOINT (MALE/FEMALE) Z/	34411	4136731	19413	2814481	1679	163847	8253	691110	4469	604334	597	63159
INCOME OF APPLICANT 8/	427585	23550006	278590	163509125	16143	567116	99755	4307375	29469	2404140	3660	268247
85-99% OF HSA MEDIAN	255718	19497940	190282	14821622	4576	340008	36529	2549990	18229	1562713	2192	193015
100-120% OF HSA MEDIAN	254015	12353172	194311	10078443	6592	409256	31821	2680185	18078	1937767	2213	219471
MORE THAN 120% OF HSA MEDIAN	104010	1,619768	619576	1,155260	22671	5907670	104446	16162048	86032	14311463	11285	1967468
INCOME NOT AVAILABLE 6/	61618	9145427	27493	3843299	3883	717478	13540	2215282	12337	1736768	4365	632608

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RACE, GENDER AND INCOME 9/13/	APPLICATIONS RECEIVED 13/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S
AMERICAN INDIAN/ALASKAN NATIVE(TOTAL)	19569	226090	13067	1366222	650	105914	3437	443530	2032	270010	583	54614
MALE	4337	669959	2792	267195	141	20080	616	103609	485	65149	193	14015
FEMALE	3456	312937	132	139594	613	65541	1972	280034	1089	154199	63	7135
JOINT (MALE/FEMALE) I/	11590	1436297	7945	905681	373	65466	1972	280034	1089	154199	211	32717
ASIAN/PACIFIC ISLANDER (TOTAL)	22605	36053523	153191	23194714	8001	1418814	35578	6590116	23509	4181576	4494	958301
MALE	30772	4645667	18566	2577559	1237	294028	6060	1024528	5997	881076	912	150376
FEMALE	22353	3000213	14684	1058146	786	119529	4087	621617	2354	344632	442	74409
JOINT (MALE/FEMALE) I/	170852	28272367	119272	18676298	5954	1091937	25519	4735536	17176	3144637	3129	623777
BLACK (TOTAL)	130504	128012357	82989	7138739	3268	331356	31789	3007610	14007	1303845	2692	232617
MALE	24864	2103325	14257	1135996	689	675722	4465	581768	5042	378992	583	56237
FEMALE	32452	2430484	17798	1431122	958	194369	3719	1701543	5162	260762	501	47793
JOINT (MALE/FEMALE) I/	76628	7425202	40582	4346819	1785	194369	3719	1701543	7759	772038	1356	133061
HISPANIC (TOTAL)	187910	20072765	1111707	111016496	5595	675755	46006	5560773	20642	2303589	3918	457993
MALE	58848	3093987	16641	1501810	861	105545	8016	961880	3737	433780	770	92992
FEMALE	22255	2126428	13112	1162375	656	66554	5536	591846	2489	254435	462	50210
JOINT (MALE/FEMALE) I/	137140	15209950	83654	8729687	4065	502481	32582	3757576	1565	1688666	2676	313590
WHITE (TOTAL)	4154069	14,452268	3287291	13,354168	70837	10130085	431554	56234422	319753	59195133	44644	6247763
MALE	543099	160574066	365444	39966467	12429	1790147	80095	10930652	55081	7203065	10050	1466515
FEMALE	421936	35532647	325771	25833843	7258	777371	51082	6081070	53189	3146360	4716	4964803
JOINT (MALE/FEMALE) I/	3165291	13,480768	2573596	12,461868	51081	7445597	299985	60153116	231042	28802169	29817	4281789
OTHER (TOTAL)	23023	3176289	14717	1948419	668	104116	4731	701172	2432	344837	475	77743
MALE	3912	549297	2098	278827	149	23458	1028	165594	628	74094	109	17354
FEMALE	2143	220768	1294	125180	46	7144	501	57678	250	25919	50	4917
JOINT (MALE/FEMALE) I/	15621	2219024	14045	1412533	434	68369	2866	444463	1606	238877	310	54782
JOINT (WHITE/MINORITY) 5/ (TOTAL)	98877	12581035	73711	8848626	1937	356614	13948	1883571	6418	1114489	1267	174535
MALE	3068	350057	2166	232861	79	19889	534	74243	258	34286	51	3118
FEMALE	1940	189125	1478	138408	43	4783	12832	1774116	7985	1660545	1202	168926
JOINT (MALE/FEMALE) I/	93681	111768507	67972	8442359	1870	342411	12832	1774116	7985	1660545	1202	168926
RACE NOT AVAILABLE 8/ (TOTAL)	375952	49820103	208740	26159779	19680	3860093	79231	111532961	56504	6661011	13277	1405969
MALE	27965	3074857	171442	1714442	1523	271878	7000	964727	3736	750880	1393	192694
FEMALE	225081	26745246	10481	1002395	1900	277359	5359	656630	5965	475155	1172	168812
JOINT (MALE/FEMALE) I/	110269	15583025	74437	9679410	4198	659629	13948	2773525	19772	1960771	2914	315490
INCOME OF APPLICANTS 8/												
LESS THAN 10% OF MSA	508667	140292073	416326	27106558	19336	1013390	98606	7615230	49082	3921575	6297	556320
10-12.0% OF MSA	774455	16516207	368598	27087367	7657	671580	59766	3362517	35709	3005081	4725	419742
12.1-12.0% OF MSA	536673	14550644	417927	34463981	6931	871763	63062	6071188	39070	3635060	5243	525262
MORE THAN 12.0% OF MSA	2556198	13,524268	1995124	2,57968	50002	9624975	275674	440053085	202009	31372972	23989	5054334
INCOME NOT AVAILABLE 8/	258449	180166428	181635	149254356	14016	2883026	35197	6793608	35653	4632254	10988	1623184

AGGREGATE TABLE 4-6: DISPOSITION OF APPLICATIONS FROM MONOCUPANTS FOR HOME PURCHASE, HOME IMPROVEMENT, OR REFINANCING LOANS, 1- TO 4-FAMILY HOMES, BY RACE, GENDER AND INCOME OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

RACE, GENDER AND INCOME 5/13/	APPLICATIONS RECEIVED 13/		LOANS ORIGINATED		APPS. NOT ACCEPTED BUT APPROVED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S
AMERICAN INDIAN/ALASKAN NATIVE(TOTAL)	2055	169971	1349	109375	85	5900	392	34221	142	14791	57	5694
MALE	643	52221	441	35868	28	1424	177	3953	35	15139	20	2247
FEMALE	554	22094	232	14649	35	6823	177	3953	35	2804	10	711
JOINT (MALE/FEMALE) Z/	1025	94876	705	69523	24	4378	197	28423	70	6946	27	2726
ASIAN/PACIFIC ISLANDER (TOTAL)	26596	3267968	17544	2008749	878	110533	4900	661110	2791	370740	597	100800
MALE	4068	475498	2422	243654	142	14694	958	116471	447	43772	107	15549
FEMALE	2777	350948	1740	183500	65	8158	877	66417	311	37890	84	14119
JOINT (MALE/FEMALE) Z/	19691	2473783	13147	1555409	664	92854	3444	477918	2028	266594	404	79028
BLACK (TOTAL)	19760	1132909	11476	599623	693	42006	6419	326464	1546	113435	625	51359
MALE	5949	305669	3371	154911	223	13215	1740	94000	462	32617	155	11126
FEMALE	4626	237856	2523	121630	149	7393	1452	71846	343	23477	161	13590
JOINT (MALE/FEMALE) Z/	9129	565563	5543	320196	320	22195	2215	159402	736	57127	311	26643
HISPANIC (TOTAL)	25359	2003359	14017	1107350	673	81723	7473	601611	2311	226260	665	78847
MALE	5603	416766	2974	207898	107	10846	1069	120776	504	45530	149	15708
FEMALE	3389	210533	1747	109649	115	8002	1150	66500	271	24061	106	9721
JOINT (MALE/FEMALE) Z/	16241	1443524	9275	768334	578	53975	9433	483666	1533	152715	430	44616
WHITE (TOTAL)	342651	29034226	245030	19165036	9291	620140	52146	5030194	27401	2773121	6761	1244935
MALE	81909	6726752	56517	4154463	2325	206603	14136	1376018	6895	720936	2856	284652
FEMALE	57175	2451100	25193	1694508	1103	74744	6646	513165	2954	285065	1099	123546
JOINT (MALE/FEMALE) Z/	223296	19429790	163140	13290605	5050	536369	31116	1349050	17556	1604029	5846	636737
OTHER (TOTAL)	3036	317541	1769	166245	106	12474	679	78401	281	27326	201	33196
MALE	756	78399	401	36982	31	3462	201	21416	46	4744	47	9878
FEMALE	246	21670	136	10495	4	744	301	40659	23	2020	21	1554
JOINT (MALE/FEMALE) Z/	1059	203602	1113	108943	62	744	301	40659	165	17195	132	22146
JOINT (WHITE/MINORITY) 5/ (TOTAL)	9136	692847	4311	646807	263	20540	1625	171275	769	70997	278	49130
MALE	270	35859	142	35271	17	2395	102	12446	59	7126	10	821
FEMALE	278	15128	142	9344	11	1362	301	2630	16	1302	4	470
JOINT (MALE/FEMALE) Z/	8500	817432	5670	519293	235	24703	1406	155675	684	69650	263	47823
RACE NOT AVAILABLE 6/ (TOTAL)	36319	3805647	28204	2064235	1340	170473	7952	760351	4856	543947	1967	238441
MALE	3204	320411	1501	151009	129	14783	906	82409	594	65589	74	6781
FEMALE	1603	124528	603	60409	54	4308	502	29875	324	26725	40	3219
JOINT (MALE/FEMALE) Z/	9850	912056	6017	503468	265	27188	2036	399977	1510	164247	212	18066
INCOME OF APPLICANTS 8/ LESS THAN 80% OF MSA MEDIAN	50127	2749755	30646	1627759	1107	66954	13046	696359	5902	262792	1344	96331
80-99% OF MSA MEDIAN	30479	1935117	20398	1220829	700	46340	6692	410612	2467	191376	840	69852
100-120% OF MSA MEDIAN	33269	2285472	23028	1402566	643	62568	5929	445618	2601	205376	870	79354
MORE THAN 120% OF MSA MEDIAN	245621	24935705	176532	16484511	6654	707331	37003	436298	20840	2350104	5992	822744
INCOME NOT AVAILABLE 6/	26924	2999984	15716	1050087	1191	149579	4306	704314	5786	462529	5725	638684

RUN DATE: 10/07/93

 AGGREGATE TABLE 5-1: DISPOSITION OF APPLICATIONS FOR FHA, FHA, AND VA HOME-PURCHASE LOANS,
 1- TO 4-FAMILY HOMES, BY INCOME AND RACE OF APPLICANT, 1992

NATIONAL AGGREGATES

INCOME AND RACE 1/2, 3/	APPLICATIONS RECEIVED 13/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S
LESS THAN 60% OF NSA MEDIAN												
AMERICAN IND./ALASKAN NATIVE	1143	72576	707	50615	12	914	193	11112	120	6715	23	1220
ASIAN/PACIFIC ISLANDER	3710	274201	2753	202557	16	1335	521	36788	371	28083	47	3440
BLACK	31153	1899426	19638	1226502	258	13672	7495	425614	5118	193544	644	36014
HISPANIC	17583	1077803	11971	751006	101	11456	5278	163110	1612	113081	341	19150
WHITE	152142	9697164	117943	7460490	1967	75345	119945	1109456	11501	742959	1726	108914
OTHER	4271	46750	445	32653	6	236	109	7747	63	5010	16	1104
JOINT (WHITE/MINORITY) 5/	676	299516	500	219537	49	2796	708	45560	593	26327	46	3296
RACE NOT AVAILABLE 6/	4193	287175	2352	167445	51	5297	953	68914	722	48256	115	7253
100-99% OF NSA MEDIAN												
AMERICAN IND./ALASKAN NATIVE	531	41426	404	31732	5	362	71	5300	41	3299	10	734
ASIAN/PACIFIC ISLANDER	2130	205413	1655	156953	13	1151	259	25125	169	17601	34	2523
BLACK	13086	1000606	8933	700104	68	5954	2648	195256	1162	94162	213	13545
HISPANIC	6574	689910	6186	507867	67	6667	1306	96592	816	45799	179	74992
WHITE	96896	7587069	78182	6082029	683	46469	9205	697351	6877	53752	979	74992
OTHER	466	37378	309	29077	2	165	69	4071	246	25094	6	690
JOINT (WHITE/MINORITY) 5/	5927	325183	5072	256555	32	2153	640	37855	486	26044	57	3266
RACE NOT AVAILABLE 6/	2378	195602	1459	121137	32	2342	431	34362	482	33783	64	4118
100-120% OF NSA MEDIAN												
AMERICAN IND./ALASKAN NATIVE	449	38725	333	29308	6	403	62	5032	40	3227	0	755
ASIAN/PACIFIC ISLANDER	1446	156426	1140	123535	9	1117	101	15443	143	15294	13	1137
BLACK	9076	701585	6224	529282	68	4709	1844	146520	819	72240	128	9826
HISPANIC	6317	553774	4514	404777	77	5587	957	76647	651	62242	112	8521
WHITE	74612	6231429	68965	5142768	613	36786	6862	535786	5480	462441	692	55848
OTHER	315	33117	245	25972	8	897	31	2856	23	2208	10	1187
JOINT (WHITE/MINORITY) 5/	5541	319485	2763	250767	17	1532	441	37180	295	27644	25	2362
RACE NOT AVAILABLE 6/	2046	189058	1399	122012	35	5049	365	33102	293	26653	44	4282
MORE THAN 120% OF NSA MEDIAN												
AMERICAN IND./ALASKAN NATIVE	715	66291	530	49112	2	168	99	9117	75	7213	9	661
ASIAN/PACIFIC ISLANDER	2287	256879	1688	192958	14	1408	323	34478	236	27358	26	2091
BLACK	12999	1293265	6987	922866	97	9125	2473	221829	1246	122212	195	17167
HISPANIC	11814	938844	7816	666088	178	12921	1745	131236	1136	92256	206	14056
WHITE	120481	111396429	97954	9360706	964	71780	10954	973584	9449	923256	1202	100194
OTHER	446	49842	332	38461	5	5856	52	5856	49	5546	9	733
JOINT (WHITE/MINORITY) 5/	6450	466123	5078	37478	45	3575	714	49737	561	47380	52	4984
RACE NOT AVAILABLE 6/	4878	486276	2909	318763	117	13207	750	75641	647	69560	119	11085

AGGREGATE TABLE 5-2: DISPOSITION OF APPLICATIONS FOR CONVENTIONAL HOME-PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY INCOME AND RACE OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

INCOME AND RACE 3/, 8/	APPLICATIONS RECEIVED 13/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S
LESS THAN 80% OF MSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	2603	110918	1231	76961	66	2503	671	25524	156	10489	19	1441
ASIAN/PACIFIC ISLANDER	13366	1258925	9403	667633	295	32024	2343	212759	1166	121617	157	14852
BLACK	27296	1238302	13908	6092525	1007	30002	9016	506194	2166	113714	379	20467
HISPANIC	25953	1540207	14346	653267	906	58177	6243	457746	2047	140616	392	25181
WHITE	354922	17717797	226877	12729868	13137	411040	70724	2948118	21689	1452185	2495	178778
OTHER	1506	95699	848	53123	62	2981	457	27605	133	11098	16	1000
JOINT (WHITE/MINORITY) 5/	5034	321812	3113	212587	150	7605	1372	70012	542	27864	49	4374
RACE NOT AVAILABLE 6/	17475	1316346	6672	641711	514	25575	6187	261841	1749	162365	353	25164
100-99% OF MSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	989	75045	669	31869	32	1740	186	12437	90	8307	12	944
ASIAN/PACIFIC ISLANDER	10093	1098598	7438	796192	188	19908	1439	163022	916	107514	112	11762
BLACK	10159	737088	6141	462063	306	16920	2733	177326	647	70948	132	9831
HISPANIC	13656	1234606	8526	776443	371	27698	3354	299767	1284	121986	171	15755
WHITE	205546	118246466	159026	12008048	5146	261666	25079	1698864	13854	1142234	1641	134834
OTHER	1004	91888	689	61352	24	1359	196	19137	84	8629	11	1011
JOINT (WHITE/MINORITY) 5/	4161	355431	2929	256444	69	5007	791	60458	313	30073	39	3869
RACE NOT AVAILABLE 6/	8110	640926	4864	408654	220	13682	1931	125919	691	77462	184	13209
100-120% OF MSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	996	95134	704	47118	27	2368	170	15134	89	9553	0	939
ASIAN/PACIFIC ISLANDER	10617	1363198	7839	994285	191	24355	1977	192642	901	133066	129	16787
BLACK	10617	758337	5346	476911	241	15109	2092	174790	605	77690	120	11137
HISPANIC	13683	1616177	8636	919051	325	32219	2922	309846	1204	136496	192	19205
WHITE	246094	118245294	163953	14605128	4437	302694	21041	1771959	14334	1427064	1529	148249
OTHER	973	105767	687	76364	30	2479	146	16245	99	12009	9	450
JOINT (WHITE/MINORITY) 5/	4920	514090	3661	309586	96	8155	747	71432	376	40907	40	4040
RACE NOT AVAILABLE 6/	8704	847976	5661	568300	245	21657	1622	137097	990	102510	186	18414
MORE THAN 120% OF MSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	3765	572014	2727	597353	132	22559	484	73310	568	70036	54	6776
ASIAN/PACIFIC ISLANDER	46861	9086711	34619	6192063	1288	278783	6926	1352533	5295	1107662	753	135700
BLACK	27432	3668658	18016	2368080	656	99398	5781	769646	2552	380748	427	60616
HISPANIC	41375	5572378	27291	3696098	1020	150747	8258	1135784	4283	608640	673	94129
WHITE	848083	11,207368	681882	94235389	17413	3027681	74732	11,404654	65789	10782912	8117	14,63582
OTHER	4494	764677	3189	514043	111	24986	478	18319	249	30583	240	54648
JOINT (WHITE/MINORITY) 5/	25499	4053209	13133	308186	411	24986	249	18319	249	30583	240	54648
RACE NOT AVAILABLE 6/	46860	7494958	32846	6341972	1359	294025	6444	1017831	4945	890372	904	150980

AGGREGATE TABLE 5-3: DISPOSITION OF APPLICATIONS FOR REFINANCING HOME PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY INCOME AND RACE OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

RACE AND INCOME	APPLICATIONS RECEIVED 1A/ NUMBER	LOANS ORIGINATED NUMBER	APPS. APPROVED BUT NOT ACCEPTED NUMBER	APPLICATIONS DENIED NUMBER	APPLICATIONS WITHDRAWN NUMBER	FILES CLOSED FOR INCOMPLETENESS NUMBER
	1000'S	1000'S	1000'S	1000'S	1000'S	1000'S
LESS THAN 80% OF HSA MEDIAN						
AMERICAN IND/ALASKAN NATIVE	2602	184526			263	20295
ASIAN/PACIFIC ISLANDER	22014	2556914	19919	1637634	1957	239265
BLACK	27228	1584052	15530	890543	1957	239265
HISPANIC	34383	2732299	19940	878	7831	449593
WHITE	448227	29380181	336839	20906991	6857	658253
OTHER	2567	210528	1503	113541	49	4117
JOINT (WHITE/MINORITY) 5/	7166	508420	4953	386967	126	13478
RACE NOT AVAILABLE 6/	36530	3075273	18946	1562733	977	103959
80-100% OF HSA MEDIAN						
AMERICAN IND/ALASKAN NATIVE	1795	148059				
ASIAN/PACIFIC ISLANDER	17420	1896913	12531	1297286	40	4231
BLACK	15528	1151360	9650	682487	293	21650
HISPANIC	25338	2383990	15459	1375164	642	63708
WHITE	302069	20964620	308197	21840340	5312	452675
OTHER	1943	172890	1231	103832	54	5807
JOINT (WHITE/MINORITY) 5/	7700	650060	5787	479648	139	11769
RACE NOT AVAILABLE 6/	24434	2401604	14524	1182168	708	58827
100-120% OF HSA MEDIAN						
AMERICAN IND/ALASKAN NATIVE	1922	181010				
ASIAN/PACIFIC ISLANDER	21715	2632231	15533	1821332	572	73491
BLACK	14624	1294287	9189	765276	515	28971
HISPANIC	23217	2363682	14346	1397495	669	66764
WHITE	429348	35372823	350367	27921665	6219	507537
OTHER	2167	220094	1460	149721	46	4830
JOINT (WHITE/MINORITY) 5/	9936	956522	7856	709791	169	16364
RACE NOT AVAILABLE 6/	27641	2610861	17367	1609460	889	85131
MORE THAN 120% OF HSA MEDIAN						
AMERICAN IND/ALASKAN NATIVE	6666	1337169				
ASIAN/PACIFIC ISLANDER	130284	23608546	89783	16374175	546	78040
BLACK	52693	6187071	33663	37596819	4260	642732
HISPANIC	77092	10229466	47939	5881264	1199	169168
WHITE	2064698	12,787,968	1665838	2,099,950	3344	304850
OTHER	12116	2055336	8263	1320300	335	35484
JOINT (WHITE/MINORITY) 5/	56574	8309074	42908	5788618	1217	24370
RACE NOT AVAILABLE 6/	153284	123304581	100638	11478300	6183	1094170

AGGREGATE TABLE 6-4: DISPOSITION OF APPLICATIONS FOR HOME IMPROVEMENT LOANS,
 1- TO 4-FAMILY HOMES, BY INCOME AND RACE OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

INCOME AND RACE 1/ 2/ 3/ 4/	APPLICATIONS RECEIVED 13/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S
LESS THAN 80% OF HSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	1744	21518	1046	13081	56	442	584	6666	66	1137	8	182
ASIAN/PACIFIC ISLANDER	5430	114367	1664	66519	78	2047	1721	17538	211	7135	48	1760
BLACK	43550	386346	19945	176336	1721	12370	19318	17538	211	2200	231	3419
HISPANIC	26658	255274	664	118765	664	4692	12319	116112	235	13962	145	2770
WHITE	189969	2520522	126875	1679945	5930	38171	48512	678283	8123	141781	813	19795
OTHER	2191	47239	1007	22206	61	717	754	18163	136	3162	13	949
JOINT (WHITE/MINORITY) 2/	2497	44432	1515	26847	185	717	26370	28222	3743	46316	443	7500
RACE NOT AVAILABLE 6/	45479	490178	12416	135225	1995	18367						
80-99% OF HSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	643	10988	439	6783	16	394	160	3362	24	442	4	77
ASIAN/PACIFIC ISLANDER	2813	81482	1133	48765	57	1839	679	24217	141	8360	25	1531
BLACK	10726	144194	5462	80838	437	5159	4174	49553	555	7152	77	1462
HISPANIC	10991	143616	8516	71881	276	4293	4670	56764	450	9428	79	1849
WHITE	69945	1770356	46032	1531143	2609	37855	16921	295833	3019	93193	364	12332
OTHER	981	24740	521	14308	24	378	352	7686	67	1791	17	677
JOINT (WHITE/MINORITY) 2/	1765	82328	1180	69397	45	655	476	9467	71	2472	13	337
RACE NOT AVAILABLE 6/	18158	256915	6384	89171	888	11265	9932	125465	1620	26120	234	4794
100-120% OF HSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	540	9903	358	6376	18	705	138	2163	21	457	5	282
ASIAN/PACIFIC ISLANDER	2240	110281	1350	69436	64	4181	131	25037	160	9955	35	1672
BLACK	7461	108054	4000	67977	318	5903	2708	37063	382	7552	53	1268
HISPANIC	8368	125437	4248	45627	348	4667	3343	44138	374	11206	452	18000
WHITE	63096	1851317	62641	1373526	2587	37671	13820	593345	3594	116315	17	510
OTHER	845	52872	482	22310	21	476	472	18397	98	4493	14	286
JOINT (WHITE/MINORITY) 2/	1885	50914	1314	34918	40	795	676	10397	71	2742	212	4535
RACE NOT AVAILABLE 6/	15377	250611	5789	76874	839	12397	7664	109253	1473	27742		
MORE THAN 120% OF HSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	1590	60154	1092	48788	76	2371	307	10410	102	5765	13	820
ASIAN/PACIFIC ISLANDER	11056	1022300	6862	587918	412	68468	2703	199864	878	171558	201	13592
BLACK	14897	447534	8664	298421	627	15692	4629	92527	827	28750	130	6219
HISPANIC	27184	690169	15149	342879	491	21295	9787	178467	1362	48776	195	6754
WHITE	265935	111452517	296758	8336871	7811	537053	36460	1752788	12721	892663	1985	133142
OTHER	2887	134539	1748	84558	65	2382	778	32221	733	13053	53	2613
JOINT (WHITE/MINORITY) 2/	7945	368685	5727	263891	188	8802	1856	42770	398	28664	76	4558
RACE NOT AVAILABLE 6/	45508	1288622	17959	879803	2925	49672	19355	466340	4314	139305	949	54882

AGGREGATE TABLE 5-5: DISPOSITION OF APPLICATIONS FOR HOME-PURCHASE OR HOME IMPROVEMENT LOANS,
HOMES OF 5 OR MORE FAMILIES, BY INCOME AND RACE OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

	APPLICATIONS RECEIVED 13/ NUMBER		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S
LESS THAN 90% OF HSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE												
ASIAN/PACIFIC ISLANDER												
BLACK												
HISPANIC	5	442	3	165			1	200	1	77		
WHITE												
OTHER (WHITE/MINORITY) 5/ JOINT (WHITE/MINORITY) 5/ RACE NOT AVAILABLE 5/												
180-99% OF HSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE												
ASIAN/PACIFIC ISLANDER												
BLACK												
HISPANIC	3	359	3	359								
WHITE												
OTHER (WHITE/MINORITY) 5/ JOINT (WHITE/MINORITY) 5/ RACE NOT AVAILABLE 5/	1	57					1	57				
100-120% OF HSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE												
ASIAN/PACIFIC ISLANDER												
BLACK	2	240	2	240								
HISPANIC												
WHITE	2	83	2	83								
OTHER (WHITE/MINORITY) 5/ JOINT (WHITE/MINORITY) 5/ RACE NOT AVAILABLE 5/												
MORE THAN 120% OF HSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE												
ASIAN/PACIFIC ISLANDER												
BLACK	1	196	1	196								
HISPANIC	1	113	1	113								
WHITE	21	2337	14	1557	1	70	4	564	2	146		
OTHER (WHITE/MINORITY) 5/ JOINT (WHITE/MINORITY) 5/ RACE NOT AVAILABLE 5/	1	236	1	236					1	60		
	7	284	6	184								

RUN DATE: 10/07/93

AGGREGATE TABLE 5-6: DISPOSITION OF APPLICATIONS FROM HOMEOWNERS FOR HOME PURCHASE, HOME IMPROVEMENT, OR REFINANCING LOANS, 1- TO 4-FAMILY HOMES, BY INCOME AND RACE OF APPLICANT, 1992

NATIONAL AGGREGATES

INCOME AND RACE \$/, \$/	APPLICATIONS RECEIVED 13/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S	NUMBER	0000'S
LESS THAN 80% OF MSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	255	12486	142	6625	4	371	06	4270	15	1063	6	347
ASIAN/PACIFIC ISLANDER	2164	207292	1367	120891	51	5409	516	47750	200	20597	53	4645
BLACK	4122	146792	2037	67761	86	2406	1543	52455	309	15568	145	6502
HISPANIC	4354	249543	2155	125761	111	8335	1621	83377	315	23070	132	9000
WHITE	35177	1900877	23071	1177629	839	44115	7728	440286	2605	171221	934	46226
OTHER	311	21380	152	8891	6	624	116	8959	27	2150	10	556
JOINT (WHITE/MINORITY) 5/	579	39377	345	21325	6	596	170	12064	37	2916	19	1874
RACE NOT AVAILABLE 6/	3163	171798	1377	90856	80	4816	1267	46778	394	26167	45	5181
80-99% OF MSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	129	7166	86	4218	2	55	27	2131	12	594	2	170
ASIAN/PACIFIC ISLANDER	1540	154803	965	95017	44	3925	328	32395	169	19713	34	2953
BLACK	1828	89479	1030	46500	41	1845	543	28440	156	8934	50	3651
HISPANIC	2598	182837	1390	96018	85	7169	856	56655	191	16468	76	6725
WHITE	22182	1356607	15710	895805	472	28051	5721	249130	1664	116940	615	51235
OTHER	220	15164	123	7787	6	337	61	4945	19	384	15	1490
JOINT (WHITE/MINORITY) 5/	516	37998	334	23677	13	1179	109	8251	45	344	29	2175
RACE NOT AVAILABLE 6/	1466	91872	752	51227	37	1999	447	21857	201	14014	29	2175
100-120% OF MSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	143	9830	97	6411	2	225	29	2164	14	970	1	60
ASIAN/PACIFIC ISLANDER	1034	101937	1201	119240	43	4076	358	41295	180	21452	44	5926
BLACK	2437	95177	1497	60984	61	4512	455	24914	152	10521	62	4516
HISPANIC	2433	164815	1359	103228	89	7232	737	55070	204	16802	40	3975
WHITE	24453	1650170	17937	1105319	572	41205	3737	299596	1747	133027	660	60223
OTHER	191	13576	114	7610	4	121	44	3656	19	1514	10	675
JOINT (WHITE/MINORITY) 5/	642	49153	422	30516	24	1979	124	10325	48	4021	24	2312
RACE NOT AVAILABLE 6/	1592	108762	851	60150	46	2578	445	27290	229	17069	21	1667
MORE THAN 120% OF MSA MEDIAN												
AMERICAN IND/ALASKAN NATIVE	908	194252	677	67899	36	4636	173	21046	75	7013	27	2850
ASIAN/PACIFIC ISLANDER	17905	2320013	11992	1470859	599	80659	3190	450129	1825	281095	261	49271
BLACK	8233	626482	5215	352750	235	20916	1890	170857	880	59051	213	23240
HISPANIC	13012	1242464	7858	707858	464	80227	3212	327214	1425	137071	263	28265
WHITE	184004	18190868	135664	11254974	4362	543824	25206	3638399	14048	1624480	3803	664790
OTHER	1629	195116	1038	111021	72	3783	91	112890	180	16853	84	17991
JOINT (WHITE/MINORITY) 5/	5012	421649	4392	408372	140	2781	91	112890	461	61192	153	30277
RACE NOT AVAILABLE 6/	14037	1626635	8795	1018870	446	53306	2861	321574	1767	287319	170	26444

AGGREGATE TABLE 6-1: DISPOSITION OF APPLICATIONS FOR FHA, FHLM, AND VA HOME-PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY INCOME AND GENDER OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

	APPLICATIONS RECEIVED 13/ NUMBER		LOANS ORIGINATED NUMBER		APPS. APPROVED BUT NOT ACCEPTED NUMBER		APPLICATIONS DENIED NUMBER		APPLICATIONS WITHDRAWN NUMBER		FILES CLOSED FOR INCOMPLETENESS NUMBER	
	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S
INCOME AND GENDER &/												
LESS THAN 80% OF HSA MEDIAN												
MALE	6388	5951348	47246	2986223	713	59598	9423	530687	5437	345654	949	57618
FEMALE	59153	5477838	45239	2717667	716	21608	7868	411934	4627	270397	711	42022
JOINT (MALE/FEMALE) 7/	89655	5878403	64235	4316829	1092	47287	15576	919971	7718	522745	1234	78911
GENDER NOT AVAILABLE &/	2245	147330	1331	92466	23	1196	501	28709	326	21109	64	3650
80-99% OF HSA MEDIAN												
MALE	27591	2162141	21704	1720313	224	13299	2984	214799	2289	182882	390	29868
FEMALE	18454	1384694	15018	1135922	165	8093	1644	117917	1624	187154	201	14929
JOINT (MALE/FEMALE) 7/	79927	6245764	62621	4965203	749	41098	9701	696805	5949	471985	907	69875
GENDER NOT AVAILABLE &/	1176	92154	735	58396	14	793	230	17521	171	13740	26	1906
100-120% OF HSA MEDIAN												
MALE	16593	1398543	12681	1099043	158	10591	1751	140725	1495	130488	218	17696
FEMALE	9032	730764	7322	598046	71	4518	849	65024	786	56964	84	6202
JOINT (MALE/FEMALE) 7/	71396	6071333	56664	4878133	585	38155	7954	629686	5413	467615	710	57744
GENDER NOT AVAILABLE &/	954	83569	624	55499	11	816	169	14131	130	10887	20	2236
MORE THAN 120% OF HSA MEDIAN												
MALE	21567	1953015	16396	1491601	254	21994	2453	206692	2129	202249	335	28479
FEMALE	9132	761079	7812	591096	108	7439	1059	81673	858	71506	116	9365
JOINT (MALE/FEMALE) 7/	126304	12225181	109351	9836646	1068	81749	13216	1188596	18369	1810268	1308	115092
GENDER NOT AVAILABLE &/	1959	191915	1237	123669	16	1668	348	51776	297	29145	61	5667

AGGREGATE TABLE 6-2: DISPOSITION OF APPLICATIONS FOR CONVENTIONAL HOME-PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY INCOME AND GENDER OF APPLICANT, 1992

RUN DATE: 10/07/93

INCOME AND GENDER &/		NATIONAL AGGREGATES										FILES CLOSED FOR INCOMPLETENESS	
		APPLICATIONS RECEIVED 1A/ NUMBER		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		NUMBER	
		1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER	1000'S	NUMBER
LESS THAN 80% OF MSA MEDIAN													
MALE		112424	5801575	70372	3066453	4610	153023	20366	1231675	7919	523571	1149	87051
FEMALE		130854	6449043	89555	4656952	5094	151400	26759	1054061	8364	522779	1092	62971
JOINT (MALE/FEMALE) Z/		173485	11040527	112544	7206516	6227	252491	41020	1949327	12256	894071	1438	103522
GENDER NOT AVAILABLE &/		10630	923385	5910	659184	203	10093	3580	151516	940	107919	101	14703
80-99% OF MSA MEDIAN													
MALE		55576	4277157	49755	3140226	1456	79380	8440	622970	4544	365766	503	40787
FEMALE		47475	3707110	37094	2899083	1027	65905	5630	419715	3311	208316	413	34172
JOINT (MALE/FEMALE) Z/		146175	11140545	109647	8500892	3613	197523	21363	1441166	10154	857768	1198	101194
GENDER NOT AVAILABLE &/		4492	346936	2788	231501	80	5192	1096	66137	420	55244	108	8062
100-120% OF MSA MEDIAN													
MALE		45619	4194314	33777	3460071	1103	85731	6443	592464	3744	309727	532	56501
FEMALE		33432	3146081	24772	2494927	767	52738	5916	345624	2499	251292	305	38630
JOINT (MALE/FEMALE) Z/		120107	11549179	155109	12104962	3627	259990	19912	1240382	12169	1240382	1262	122099
GENDER NOT AVAILABLE &/		4054	463390	3250	528693	92	2073	912	72143	406	40436	14	10333
MORE THAN 120% OF MSA MEDIAN													
MALE		151611	122396764	108937	15233329	3981	712493	21874	3460702	14695	2544456	2424	446702
FEMALE		70387	9549008	52544	6899782	1860	296633	8970	1306999	6101	929795	922	161909
JOINT (MALE/FEMALE) Z/		798046	111603168	638933	190528261	16230	2864357	72650	10914528	62847	110422520	7408	1304015
GENDER NOT AVAILABLE &/		25962	3945578	19161	2856210	609	120097	3312	4797759	2349	414690	531	74842

AGGREGATE TABLE 6-3: DISPOSITION OF APPLICATIONS FOR REFINANCING HOME-PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY INCOME AND GENDER OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

INCOME AND GENDER &/	APPLICATIONS RECEIVED 13/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S
LESS THAN 80% OF MSA MEDIAN												
MALE	109076	7605513	72918	4582941	2226	259125	21823	1740919	10936	906607	1501	161725
FEMALE	161201	9519711	119622	6786373	2576	182554	24941	1617111	12703	827492	1545	186181
JOINT (MALE/FEMALE) Z/	269985	21367602	211848	14712528	6999	839685	46803	5914718	22373	1948526	2744	252145
GENDER NOT AVAILABLE &/	21303	1799247	11996	1103716	441	31828	5661	362402	3068	244950	427	36271
80-99% OF MSA MEDIAN												
MALE	80413	6480176	58303	4369538	1568	149820	11822	1096914	7510	668232	1210	116472
FEMALE	81249	6264364	63372	4693312	1319	117185	9638	876885	6079	504584	841	78678
JOINT (MALE/FEMALE) Z/	302414	22899176	239455	17411740	4467	385321	35570	3166283	20894	1712889	2326	25023
GENDER NOT AVAILABLE &/	12377	952438	7466	562644	303	20054	2736	208595	1524	119576	348	29569
100-120% OF MSA MEDIAN												
MALE	76070	6078086	53069	4673342	1731	191268	10608	1134076	7276	727816	1316	146832
FEMALE	61804	5614894	47582	4028551	1217	121683	7247	746103	4699	451948	463	68559
JOINT (MALE/FEMALE) Z/	306658	32088638	306824	25085903	5634	531285	39763	3986871	25527	2317839	2902	274940
GENDER NOT AVAILABLE &/	13644	1202229	8742	776145	349	27527	2604	227628	1567	135598	562	34931
MORE THAN 120% OF MSA MEDIAN												
MALE	272455	42060514	184464	25857686	8135	1580462	43722	6296293	30087	5221935	6847	1182216
FEMALE	130917	17633965	93889	11706696	3951	655899	19437	5222207	11726	1735705	1314	314749
JOINT (MALE/FEMALE) Z/	2080659	2,819168	1668141	2,1357578	39883	7951395	201252	34763929	152043	23262216	19420	3326788
GENDER NOT AVAILABLE &/	72164	10405838	48627	6772666	2113	342721	11263	1768756	8153	1209116	2008	512579

AGGREGATE TABLE 6-4: DISPOSITION OF APPLICATIONS FOR HOME IMPROVEMENT LOANS,
1- TO 4-FAMILY HOMES, BY INCOME AND GENDER OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

INCOME AND GENDER &/	APPLICATIONS RECEIVED 16/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S	NUMBER	000'S
LESS THAN 80% OF MSA MEDIAN												
MALE	79903	802663	44455	420011	2564	20935	29246	504349	5516	50113	402	7057
FEMALE	102660	1155715	59593	662857	5465	50934	54530	568644	5065	70008	607	11350
JOINT (MALE/FEMALE) Z/	108951	1695716	66745	1087493	5478	57455	32563	456641	5945	98318	820	15289
GENDER NOT AVAILABLE &/	23725	245560	6510	65985	1147	11369	14327	145907	1573	19600	136	2719
80-99% OF MSA MEDIAN												
MALE	29454	491369	10651	323079	894	10390	8405	124356	1327	29246	177	4410
FEMALE	21595	503620	13764	251452	724	11619	5759	90765	1040	25006	160	4178
JOINT (MALE/FEMALE) Z/	75179	1517567	58677	1084531	2586	32523	17781	294592	3726	84780	407	12662
GENDER NOT AVAILABLE &/	9215	122172	3455	41125	540	7028	4519	62714	646	9896	69	1499
100-120% OF MSA MEDIAN												
MALE	20930	586621	13640	240227	663	10866	5361	96056	1069	32751	177	6719
FEMALE	15335	290827	8721	195854	440	7695	5352	62598	700	21404	120	3478
JOINT (MALE/FEMALE) Z/	77874	1737293	54752	1236250	2526	42676	16277	527354	5828	114523	491	16510
GENDER NOT AVAILABLE &/	7673	125440	5160	54455	508	7122	3353	61946	595	10642	57	1305
120%+ OF MSA MEDIAN												
MALE	50544	1922634	33432	1113259	1681	66146	12202	628264	2008	195695	501	27272
FEMALE	21778	826596	13949	611978	702	32556	5655	108222	1237	81961	255	11680
JOINT (MALE/FEMALE) Z/	282364	111986493	206690	8607166	8018	366829	49246	1854133	15008	1002607	2594	135788
GENDER NOT AVAILABLE &/	22308	620997	9920	501558	1662	40125	8692	221473	1782	86073	232	7770

AGGREGATE TABLE 6-6: DISPOSITION OF APPLICATIONS FROM MONOOCUPANTS FOR HOME PURCHASE, HOME IMPROVEMENT, OR REFINANCING LOANS, 1- TO 4-FAMILY HOMES, BY INCOME AND GENDER OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

INCOME AND GENDER \$/	APPLICATIONS RECEIVED 19/		LOANS ORIGINATED		APPS. APPROVED BUT NOT ACCEPTED		APPLICATIONS DENIED		APPLICATIONS WITHDRAWN		FILES CLOSED FOR INCOMPLETENESS	
	NUMBER	\$000'S	NUMBER	\$000'S	NUMBER	\$000'S	NUMBER	\$000'S	NUMBER	\$000'S	NUMBER	\$000'S
LESS THAN 80% OF HSA MEDIAN												
MALE	14400	725416	8475	403036	545	17652	4101	203297	1091	74467	386	26164
FEMALE	13145	650103	7989	392282	525	14551	3431	156872	1012	60006	386	26192
JOINT (MALE/FEMALE) 7/	20702	1276450	13271	775566	477	32408	4031	311466	1576	114023	547	42967
GENDER NOT AVAILABLE \$/	1860	97766	911	55055	40	2343	685	25084	223	14296	21	1008
80-99% OF HSA MEDIAN												
MALE	8226	501462	5348	295045	191	11525	1746	122497	737	56117	204	16278
FEMALE	6713	371079	3005	238748	113	7402	1163	76352	461	38712	138	11505
JOINT (MALE/FEMALE) 7/	15782	1016668	10838	659302	374	25534	2945	208941	1171	84877	414	30484
GENDER NOT AVAILABLE \$/	758	45708	399	27234	22	807	236	10622	86	5956	11	895
100-120% OF HSA MEDIAN												
MALE	8086	534325	5456	332322	210	15924	1870	117419	664	52375	186	16205
FEMALE	7752	334822	4206	220666	129	9231	986	63327	580	31794	125	11944
JOINT (MALE/FEMALE) 7/	15815	1533389	13907	900125	477	36454	3234	261989	1442	115966	553	50755
GENDER NOT AVAILABLE \$/	818	50876	459	29453	25	949	219	12883	107	7221	6	370
MORE THAN 120% OF HSA MEDIAN												
MALE	49727	5026480	34360	3133517	1367	171656	8562	1053468	4419	516030	1019	152689
FEMALE	16550	1615040	11361	1029128	438	50735	2919	321827	1430	158934	382	54416
JOINT (MALE/FEMALE) 7/	171910	13740960	124670	11735697	4516	536379	24956	2956805	14165	1502908	3603	598191
GENDER NOT AVAILABLE \$/	7454	683125	4961	587169	233	28561	1366	150895	826	100152	88	16348

AGGREGATE TABLE 8-1: REASONS FOR DENIAL OF APPLICATIONS FOR FHA, FHUA, AND VA HOME-PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY RACE, GENDER, AND INCOME OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

APPLICANT CHARACTERISTICS	DEBT-TO-INCOME RATIO		EMPLOYMENT HISTORY		CREDIT HISTORY		COLLATERAL		INSUFFICIENT CASH		UNVERIFIABLE INFORMATION		CREDIT APPLICATION INCOMPLETE		MORTGAGE INSURANCE DENIED		OTHER		TOTAL 16/	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
1. RACE 4/																				
AMERICAN IND/ALASKAN NATIVE	1081	22	23	5	2091	43	141	3	24	6	12	2	18	4	91	2	267	14	486	100
ASIAN/PACIFIC ISLANDER	3621	50	961	8	3361	28	481	4	63	5	51	4	32	3	51	1	211	16	1196	100
BLACK	2511	16	596	4	8923	56	489	3	817	5	288	2	434	3	60	1	1893	11	15823	100
HISPANIC	15761	23	3601	5	27681	41	274	4	409	4	203	5	1234	3	28	1	781	13	53922	100
WHITE	10811	20	34181	6	22623	43	3924	6	2346	4	1083	2	1493	3	253	1	7843	18	26491	100
OTHER	771	29	131	3	771	36	93	5	113	5	47	4	61	2	15	1	554	13	2574	100
JOINT (WHITE/MINORITY) 5/	5691	22	1721	7	11361	43	93	4	113	5	47	2	61	2	15	1	554	13	2574	100
RACE NOT AVAILABLE 6/	6271	19	164	5	1398	43	127	4	141	4	60	2	118	5	21	1	619	19	3267	100
2. GENDER																				
MALE	59361	22	970	5	7167	48	1813	6	958	5	452	3	618	3	92	1	2720	15	17920	100
FEMALE	25921	22	451	4	5251	44	660	6	648	5	258	2	523	3	59	1	1403	14	11925	100
JOINT (MALE/FEMALE) 7/	94801	19	3293	6	24413	47	2328	5	2236	4	1002	2	1310	3	241	1	4961	14	51464	100
GENDER NOT AVAILABLE 8/	431	20	122	6	918	42	93	4	92	4	42	2	85	4	17	1	596	18	2195	100
3. INCOME 8/																				
LESS THAN 80% OF MSA MEDIAN	59921	23	1753	7	10973	42	1198	5	1342	5	610	2	799	3	125	1	3462	13	24156	100
80-99% OF MSA MEDIAN	21411	19	619	5	5562	47	546	5	520	6	224	2	508	3	61	1	1616	14	11377	100
100-120% OF MSA MEDIAN	14451	17	372	4	4003	48	441	5	595	5	164	2	282	3	38	1	1232	15	8332	100
MORE THAN 120% OF MSA MED.	22591	18	502	4	5233	48	627	5	502	4	261	2	536	3	77	1	1949	16	12416	100
INCOME NOT AVAILABLE 9/	3441	16	137	6	976	45	109	5	85	4	62	3	69	3	6	1	592	18	2180	100

AGGREGATE TABLE 6-3: REASONS FOR DENIAL OF APPLICATIONS FOR REFINANCING HOME-PURCHASE LOANS,
1- TO 4-FAMILY HOMES, BY RACE, GENDER, AND INCOME OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

APPLICANT CHARACTERISTICS	DEBT-TO-INCOME RATIO		EMPLOYMENT HISTORY		CREDIT HISTORY		COLLATERAL		INSUFFICIENT CASH		UNRELIABLE INFORMATION		CREDIT APPLICATION INCOMPLETE		MORTGAGE INSURANCE DENIED		OTHER		TOTAL 16/	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
RACE 3/																				
AMERICAN IND/ALASKAN NATIVE	722	25	96	5	703	24	452	15	64	2	126	4	113	4	60	2	595	28	2931	100
ASIAN/PACIFIC ISLANDER	758	25	749	2	4293	13	5801	10	619	2	1872	6	1563	5	786	2	9323	28	32796	100
BLACK	6261	20	487	2	12165	39	5365	17	618	2	766	2	924	3	230	1	4311	14	31127	100
HISPANIC	9243	21	671	2	18665	24	10492	24	1015	2	1934	4	1693	4	680	2	7456	17	46049	100
WHITE	9302	24	12774	5	95447	23	78481	19	10936	5	15911	5	16220	4	5497	1	77736	19	410304	100
OTHER	939	25	90	2	738	28	631	17	85	2	178	5	175	5	25	1	911	24	3770	100
JOINT (WHITE/MINORITY) 5/	3063	23	378	5	3139	23	2918	21	507	2	545	4	521	4	145	1	2543	19	13543	100
RACE NOT AVAILABLE 6/	13471	23	1508	5	13526	23	9247	16	1559	5	1980	5	3158	5	815	1	13264	23	58524	100
GENDER																				
MALE	23527	24	2360	2	20764	21	19917	20	2514	5	3891	4	4269	4	1516	2	20865	21	93354	100
FEMALE	19098	27	1789	5	17086	24	12079	17	1714	2	2739	4	2847	4	973	1	33068	16	57051	100
JOINT (MALE/FEMALE) 7/	8898	23	11832	5	94728	24	75780	19	10176	5	13482	5	15277	4	5849	1	73211	19	37021	100
GENDER NOT AVAILABLE 8/	9006	25	944	5	8178	23	5483	16	979	5	1280	4	2223	6	102		7361	21	33676	100
INCOME 8/																				
LESS THAN 80% OF NSA MEDIAN	32947	34	5901	4	25536	26	12191	12	2255	2	3810	4	2767	3	846	1	13463	14	97756	100
80-99% OF NSA MEDIAN	15223	27	1860	5	14915	26	9673	17	1529	3	1911	3	1942	3	692	1	9265	16	57050	100
100-120% OF NSA MEDIAN	13751	24	1647	5	14659	26	18621	19	1526	3	1659	3	2068	4	768	1	9978	18	56816	100
MORE THAN 120% OF NSA MED.	5936	20	5226	2	53094	21	58571	23	6418	5	9592	4	11698	5	3742	1	53139	21	251872	100
INCOME NOT AVAILABLE 6/	4608	17	649	2	6549	24	4327	16	840	5	1062	4	2051	7	985	4	6879	24	27650	100

AGGREGATE TABLE 8-4: REASONS FOR DENIAL OF APPLICATIONS FOR HOME IMPROVEMENT LOANS,
1- TO 4-FAMILY HOMES, BY RACE, GENDER, AND INCOME OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

APPLICANT CHARACTERISTICS	DEBT-TO-INCOME RATIO		EMPLOYMENT HISTORY		CREDIT HISTORY		COLLATERAL		INSUFFICIENT CASH		UNRELIABLE INFORMATION		CREDIT APPLICATION INCOMPLETE		MORTGAGE INSURANCE DENIED		OTHER		TOTAL 18/	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
RACE 5/																				
AMERICAN IND./ALASKAN NATIVE	511	26	57	3	740	40	199	11	14	1	52	3	26	1	1		236	13	1830	100
ASIAN/PACIFIC ISLANDER	2097	30	214	3	1432	21	1467	22	59	1	359	5	67	1	11		1163	17	4691	100
BLACK	6930	24	642	2	20769	56	2726	7	153	1	444	1	273	1	27		252	17	3708	100
HISPANIC	11867	30	1183	3	15414	39	3011	6	445	1	698	2	171	1	8		682	17	39428	100
WHITE	42950	27	5011	3	62001	39	21179	13	1200	1	4075	1	1446	1	98		1916	12	15725	100
OTHER	850	28	92	3	955	32	496	17	26	1	94	3	49	1	1		131	15	2594	100
JOINT (WHITE/MINORITY) 5/	1000	24	127	3	1452	35	614	20	53	1	124	3	23	1	1		57	14	4153	100
RACE NOT AVAILABLE 5/	22025	26	2720	3	35562	42	9098	11	558	1	1270	2	1244	1	83		11015	14	86392	100
GENDER																				
MALE	20776	28	2510	3	30642	41	7603	10	552	1	1572	2	746	1	44		10043	13	74691	100
FEMALE	5456	30	1726	3	27255	42	5048	6	482	1	1238	2	527	1	40		7835	12	64207	100
JOINT (MALE/FEMALE) 7/	54192	24	4277	3	60793	41	20998	14	1185	1	3543	2	1651	1	131		20070	13	160940	100
GENDER NOT AVAILABLE 5/	13207	28	1609	3	19755	42	5141	11	266	1	756	2	347	1	18		5600	12	46575	100
INCOME 8/																				
LESS THAN 60% OF HSA MEDIAN	57363	32	5972	3	51717	44	8314	7	864	1	2477	2	779	1	57		13008	11	11055	100
60-99% OF HSA MEDIAN	10855	29	1130	3	15073	42	4214	11	271	1	752	2	295	1	31		4607	12	37965	100
100-120% OF HSA MEDIAN	7754	26	775	3	11760	40	4037	14	206	1	603	1	1026	1	59		3953	13	2933	100
MORE THAN 120% OF HSA MED.	17208	22	1953	2	26802	34	1604	20	633	1	1717	2	1026	1	69		13057	17	78706	100
INCOME NOT AVAILABLE 5/	11051	21	1953	2	19381	36	569	11	281	1	190	4	259	5	4		1067	20	535	100

AGGREGATE TABLE 8-5: REASONS FOR DENIAL OF APPLICATIONS FOR HOME-PURCHASE OR HOME IMPROVEMENT LOANS,
 HOMES OF 5 OR MORE FAMILIES, BY RACE, GENDER, AND INCOME OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

APPLICANT CHARACTERISTICS	DEBT-TO- INCOME RATIO		EMPLOYMENT HISTORY		CREDIT HISTORY		COLLATERAL		INSUFFICIENT CASH		UNVERIFIABLE INFORMATION		CREDIT APPLICATION INCOMPLETE		MORTGAGE INSURANCE DENIED		OTHER		TOTAL 16/	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
RACE 1/																				
AMERICAN IND/ALASKAN NATIVE	5	38	2	15			5	38	1	6										13/100
ASIAN/PACIFIC ISLANDER	64	20	2	1	30	14	78	32	7	3	6	3	12	5			49	22		220/100
BLACK	40	18	3	1	78	31	43	19	11	5	6	3	9	4	1		44	19		227/100
HISPANIC	41	13	6	1	75	23	87	27	19	6	12	4	14	4	1		69	21		322/100
WHITE	343	20	22	1	289	17	454	26	99	6	41	2	35	2	3		46	26		1747/100
OTHER	9	16			7	12	13	23	2	4	2	4	5	9			19	33		57/100
JOINT (WHITE/MINORITY) 2/	9	26			6	18	9	26	1	3	2	6			1		7	21		34/100
RACE NOT AVAILABLE 3/	196	9	13	1	211	19	564	27	46	2	32	1	14	1			146	49		2159/100
GENDER																				
MALE	198	17	13	1	206	17	274	23	74	6	31	3	29	2	1		342	30		1168/100
FEMALE	52	5	2		83	26	77	22	19	6	11	3	12	3	1		83	28		355/100
JOINT (MALE/FEMALE) 2/	221	20	17	1	257	19	366	26	57	4	32	2	36	3	3		387	22		1365/100
GENDER NOT AVAILABLE 3/	166	9	9		142	6	529	28	36	2	27	1	14	1			958	51		1081/100
INCOME 4/																				
LESS THAN 80% OF NSA MEDIAN																				
80-99% OF NSA MEDIAN					1100															1100
100-120% OF NSA MEDIAN					1100															1100
MORE THAN 120% OF NSA MED.																				
INCOME NOT AVAILABLE 5/	542	13	38	1	590	14	1177	28	166	4	91	2	84	2	5		1548	57	4100	4100
																				4241/100

 8/1
 8/2
 8/3

AGGREGATE TABLE 8-6: REASONS FOR DENIAL OF APPLICATIONS FROM HOMEOWNERS FOR HOME PURCHASE LOANS, HOME IMPROVEMENT, OR REFINANCING LOANS, 1- TO 4-FAMILY HOMES, BY RACE, GENDER, AND INCOME OF APPLICANT, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

APPLICANT CHARACTERISTICS	DEBT-TO-INCOME RATIO		EMPLOYMENT HISTORY		CREDIT HISTORY		COLLATERAL		INSUFFICIENT CASH		UNVERIFIABLE INFORMATION		CREDIT INCOMPLETE		MORTGAGE INSURANCE DENIED		OTHER		TOTAL 16/	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
RACE 5/																				
AMERICAN IND/ALASKAN NATIVE	63	24	14	4	66	19	61	18	11	3	16	5	11	3	10	3	67	20	559	100
ASIAN/PACIFIC ISLANDER	1105	23	1051	2	522	11	1018	21	123	3	266	5	242	5	96	2	1414	29	4671	100
BLACK	1259	22	74	1	2075	36	937	16	146	3	180	3	156	3	44	1	879	15	5750	100
HISPANIC	1727	23	165	2	1771	23	1606	21	203	3	319	4	297	4	84	1	1422	19	7592	100
WHITE	11463	23	1229	2	8688	17	11441	22	1524	3	1964	4	2108	4	621	1	11076	23	5084	100
OTHER	172	25	19	3	106	15	127	18	18	3	37	5	38	5	1	1	179	26	697	100
JOINT (WHITE/MINORITY) 5/	364	22	381	2	291	17	400	24	45	3	76	5	61	4	13	1	383	23	1671	100
RACE NOT AVAILABLE 6/	1836	23	2951	4	1753	22	1552	17	153	2	208	3	391	5	100	1	2055	25	6145	100
GENDER																				
MALE	4428	23	5011	3	4826	28	4898	21	566	3	790	4	788	4	221	1	4360	22	19670	100
FEMALE	2798	26	2671	2	2473	23	1867	23	202	3	319	4	388	3	164	1	2230	21	10783	100
JOINT (MALE/FEMALE) 7/	9629	21	10481	2	7795	22	10765	23	1262	3	1711	4	1920	4	628	1	10754	24	44962	100
GENDER NOT AVAILABLE 8/	1136	25	1251	3	980	25	760	17	105	2	129	3	257	6	4	1	1031	23	4524	100
INCOME 8/																				
LESS THAN 80% OF MSA MEDIAN	4620	31	589	4	3735	26	1740	12	393	3	515	4	303	2	75	1	2457	17	14227	100
80-99% OF MSA MEDIAN	1695	27	2111	3	1436	23	1154	18	202	3	199	3	189	3	63	1	1190	19	6337	100
100-120% OF MSA MEDIAN	1505	25	1291	2	1214	20	1244	21	178	3	214	4	192	3	86	1	1314	22	6068	100
MORE THAN 120% OF MSA MED.	7107	19	6101	2	5659	15	9933	27	962	3	1529	4	1796	5	497	1	9239	25	3752	100
INCOME NOT AVAILABLE 6/	592	14	611	2	695	21	763	18	117	3	191	4	234	5	104	2	1349	31	4326	100

AGGREGATE TABLE 9: DISPOSITION OF LOAN APPLICATIONS, BY MEDIAN AGE OF HOMES IN CENSUS TRACT IN WHICH PROPERTY IS LOCATED AND TYPE OF LOAN, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

CENSUS TRACT BY AGE OF HOUSING STOCK 12/ 1990	LOANS ON 1-TO-4 FAMILY DWELLINGS										LOANS ON MULTI-FAMILY DWELLINGS FOR 5 OR MORE FAMILIES (LOAN PURCHASE AND HOME IMPROVEMENT)										NON-OCCUPANT LOANS ON 1-TO-4 FAMILY DWELLINGS FROM COLUMNS A, B, C AND D	
	HOME PURCHASE LOANS					REFINANCING OF HOME PURCHASE LOANS					HOME IMPROVEMENT LOANS					LOANS ON MULTI-FAMILY DWELLINGS FOR 5 OR MORE FAMILIES (LOAN PURCHASE AND HOME IMPROVEMENT)						
	FHA, FNMA, AND VA		CONVENTIONAL		NUMBER	A		B		NUMBER	C		D		NUMBER	E		NUMBER	F			
	AMOUNTS (\$000'S)	NUMBER	AMOUNTS (\$000'S)	NUMBER		AMOUNTS (\$000'S)	NUMBER	AMOUNTS (\$000'S)	NUMBER		AMOUNTS (\$000'S)	NUMBER	AMOUNTS (\$000'S)	NUMBER		AMOUNTS (\$000'S)	NUMBER		AMOUNTS (\$000'S)			
1980-MARCH 1990																						
LOANS ORIGINATED	111013	9790604	207141	34001257			831162	61160029		61321	2107749		923	660977		39305	3419776					
APPLICAT'N APPROVED, NOT ACCEPTED	11115	60219	60435	9570839			15266	2379987		3971	105161		25	20258		1543	157415					
APPLICAT'N DENIED	16501	1364747	44142	4820058			79429	11116455		25349	602722		173	255672		9348	917155					
APPLICAT'N WITHDRAWN	13720	1226609	33512	4810840			66192	8365837		5452	249911		135	97856		5575	563260					
FILES CLOSED FOR INCOMPLETENESS	1968	165028	4931	632602			10221	1354638		905	44082		9	12741		2255	257366					
1970-1979																						
LOANS ORIGINATED	156534	12659713	495398	82135920			1095256	1,1219808		190666	5274771		3360	2029376		79463	6474566					
APPLICAT'N APPROVED, NOT ACCEPTED	2526	126440	19667	1657135			26352	3867507		7673	183214		97	67828		3081	356221					
APPLICAT'N DENIED	26042	1823168	97036	8204531			152725	19842278		66246	1313394		649	672407		19376	1768208					
APPLICAT'N WITHDRAWN	18398	1480303	53064	6354289			112936	13563676		13582	827523		578	494979		9806	964382					
FILES CLOSED FOR INCOMPLETENESS	3084	238550	7600	950339			17496	2221290		2336	101744		30	31561		5479	432660					
1960-1969																						
LOANS ORIGINATED	86351	6742927	321758	36063858			789085	85158064		152808	4862472		4309	2491662		55907	4069502					
APPLICAT'N APPROVED, NOT ACCEPTED	1171	65205	12058	1384762			22792	3617116		7028	170624		179	315222		2131	245451					
APPLICAT'N DENIED	13756	1074625	62590	6529674			124494	17901744		56175	1270252		925	475666		14703	1572752					
APPLICAT'N WITHDRAWN	9689	757649	54664	4750522			81073	10915806		11553	456838		906	691003		7107	791099					
FILES CLOSED FOR INCOMPLETENESS	1801	132746	4952	729710			12669	1980097		1771	74507		63	82668		2651	438201					
1950-1959																						
LOANS ORIGINATED	61840	4500376	219314	25485430			563059	60290669		115300	3092929		3643	1766954		44538	3070568					
APPLICAT'N APPROVED, NOT ACCEPTED	717	47259	7924	1189617			10051	5272322		6736	164744		189	104455		1968	223599					
APPLICAT'N DENIED	11290	717630	44069	4957395			100669	18045713		52098	1201089		1254	1452457		12684	1455009					
APPLICAT'N WITHDRAWN	6097	494927	24199	3373663			59514	8293419		10551	480371		821	890529		5691	655574					
FILES CLOSED FOR INCOMPLETENESS	1302	98601	3015	608985			9576	1632650		1618	60369		61	26172		2012	364838					
1949 OR EARLIER																						
LOANS ORIGINATED	50400	3445300	184155	19567624			379322	40964533		103550	2303409		5606	2269410		43226	3168736					
APPLICAT'N APPROVED, NOT ACCEPTED	587	35581	6262	825561			12205	1938742		6935	1418593		551	121403		1724	177695					
APPLICAT'N DENIED	9574	576083	37612	5444747			72936	9707836		56420	958877		2208	2254802		11052	1028341					
APPLICAT'N WITHDRAWN	5435	355759	18907	2359013			45863	5266018		10309	294763		607	520461		5027	446619					
FILES CLOSED FOR INCOMPLETENESS	1090	67987	2678	375649			6500	964801		1235	36991		66	42763		1468	208174					

AGGREGATE TABLE 10: DISPOSITION OF LOAN APPLICATIONS, BY CENTRAL CITY VERSUS
NON-CENTRAL CITY PROPERTY LOCATION AND TYPE OF LOAN, 1992

RUN DATE: 10/07/93

NATIONAL AGGREGATES

LOCATION CATEGORY	LOANS ON 1-TO-4 FAMILY DWELLINGS											
	HOME PURCHASE LOANS				REFINANCING OF HOME PURCHASE LOANS							
	FHA, FHIA, AND VA		CONVENTIONAL		HOME IMPROVEMENT LOANS		LOANS ON MULTI-FAMILY DWELLINGS FOR 15 OR MORE FAMILIES (HOME PURCHASE AND HOME IMPROVEMENT)		NONOCCUPANT LOANS ON 1-TO-4 FAMILY DWELLINGS FROM COLUMNS A,B,C AND D			
	A		B		C		D		E			
	NUMBER	AMOUNTS (\$1000'S)	NUMBER	AMOUNTS (\$1000'S)	NUMBER	AMOUNTS (\$1000'S)	NUMBER	AMOUNTS (\$1000'S)	NUMBER	AMOUNTS (\$1000'S)		
CENTRAL CITY 10/												
LOANS ORIGINATED	220477	115683600	564618	158615736	3166630	11,2201E6	259039	6162102	11276	5965753	122567	9429104
APPLICAT'N APPROVED, NOT ACCEPTED	2665	142783	19945	2142217	34366	5512592	15560	335901	586	292777	4604	491782
APPLICATIONS DENIED	41433	2619526	116926	110619436	207022	28393289	127471	2453309	3789	4169750	32131	3070879
APPLICATIONS WITHDRAWN	26549	1879571	61119	8042949	130693	17448143	23720	794142	2164	1636372	15392	1546808
FILES CLOSED FOR INCOMPLETENESS	4754	322620	9900	1291136	23411	3608926	3627	146320	159	103260	5320	715016
MSA LESS CENTRAL CITY 12/												
LOANS ORIGINATED	246461	121255320	963146	11,0945E6	2171974	12,3774E6	364746	10731048	6585	3300834	139952	12373984
APPLICAT'N APPROVED, NOT ACCEPTED	3449	212229	36401	3872697	40278	9507082	16775	429435	255	146173	5645	617569
APPLICATIONS DENIED	37810	2936607	169133	117044966	32263	45220739	120879	2092725	1420	1340954	35012	3660986
APPLICATIONS WITHDRAWN	27790	2435156	100137	113458268	22207	28956793	27507	1214576	1163	766756	18094	1913117
FILES CLOSED FOR INCOMPLETENESS	4511	372544	14066	2001147	33058	4749268	4120	171373	72	62025	6545	985431

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE
FROM JANET RENO**

Dear Mr. Chairman:

This responds to your letter to the Attorney General, dated November 8, 1993, which requested additional information concerning the consent decree with Decatur Federal Savings and Loan Association. Our responses to the questions for the record of the hearing on November 4, 1993, are set forth below.

Q.1. The Decatur Federal Savings and Loan Association case, which alleged violations of the Fair Housing Act and the Equal Credit Opportunity Act, was the first pattern or practice lawsuit brought by the Government against a mortgage lender.

- Has the Justice Department had the opportunity to monitor the progress of the implementation of the *Decatur* consent decree?
- If so, how would you evaluate its success? If not, when will you be evaluating its progress?

A.1. Decatur is required by the consent decree to submit to the Department reports that will assist us in monitoring the institution's compliance with its remedial obligations. These reports are to be submitted semi-annually over a three-year period and they are now being submitted by the First Union Corporation which acquired Decatur after the consent decree was entered. We have received two reports to date and they show progress in many of the areas covered by the consent decree, particularly in the acceptance and denial rates of black applicants for mortgage loans. During the most recent six month period (March–August 1993), the institution made loans to 86.8 percent of its black applicants for conventional mortgages in the Atlanta Metropolitan Statistical Area. The rejection rate disparity between black applicants and white applicants for these loans was reduced from 3.1 to 1 in 1991 to 1.8 to 1 during the most recent reporting period.

The institution has also begun to implement the consent decree remedies designed to increase the volume of mortgage loan applications from predominantly black neighborhoods. As the decree required, the institution expanded its service territory to include the previously excluded black neighborhoods in South Fulton County and has begun to advertise extensively for mortgage loans through black-oriented newspapers and radio stations. We will continue to review the compliance reports as they come in and expect that further progress will be shown.

The Attorney General very much appreciated the opportunity to appear before the committee to discuss the Department's efforts to combat lending discrimination, and to affirm our commitment to a sound and vigorous fair lending enforcement program. Please do not hesitate to contact me if we can provide additional assistance regarding this or any other matter.

Sincerely,

Sheila F. Anthony
Assistant Attorney General

RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE FROM HENRY CISNEROS

Q.1. It is my understanding that HUD has never officially issued regulations that define violations of mortgage lending and property insurance, but under your supervision HUD and the regulatory agencies intend to develop such regulations.

- How will these new regulations differ from the mandates of the Fair Housing Act and the Equal Credit Opportunity Act?

A.1. The mandates of the Fair Housing Act and the Equal Credit Opportunity Act are relatively clear: Don't discriminate based on race, etc., don't provide different terms and conditions based on race, etc. However, these general directions do not provide specific guidance. With the help of three years of expanded HMDA data, the Boston Federal Reserve Study and the *Decatur Federal* case, we can assist lenders in knowing what conduct HUD and the regulatory agencies believe will violate the fair lending laws. Thus, we expect that our regulations would address the following areas, among others:

- Actions which have a disparate impact on persons based on their race, sex, national origin, familial status or disability may violate the FHA Act if a lender cannot show that they are justified by business necessity.
- Advertising, branching and marketing practices may be discriminatory if they exclude, or imply exclusion of, persons based on their race, etc.
- What action, if any, would HUD and other Federal agencies take if a lender discovered a discriminatory practice through self-testing and fully corrected it?
- What is the successor liability of a lender which acquires another lender that has made discriminatory loans?
- To what extent may a primary lender rely on secondary market guidelines promulgated by Fannie Mae or Freddie Mac?

Regulations, by providing more details and better guidance, should lead to increased voluntary compliance and increased lending to minorities, women and persons with disabilities.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR MOSELEY-BRAUN FROM LAWRENCE B. LINDSEY

Q.1. Can you tell me whether the HMDA data shows any differences between depository and non-depository lenders?

A.1. The HMDA data provide a variety of information about the lending activities of different types of financial institutions, including depository institutions and non-depository institutions. For example, the 1992 HMDA data reveal non-depository institutions are much more likely to be the source of FHA-insured or VA-guaranteed home purchase loans than are depository institutions. In 1992, non-depository institutions extended 74 percent of all the FHA-insured loans used to buy homes, 72 percent of all the VA-guaranteed loans and 45 percent of all the conventional loans.

HMDA data also provide information on the disposition of home loan applications by the racial or ethnic characteristics of applicants and by the type of financial institution these applicants approached for credit. Table 1 shows the denial rates for applications

for conventional home purchase and refinancing loans for depository institutions and non-depository institutions in 1992. The data indicate that the denial rates for most racial or ethnic groups are higher at non-depository institutions for home purchase loans, but uniformly lower for all racial or ethnic groups for applications to refinance a current mortgage.

Table 1. Denial rates for conventional home purchase and refinancing loan applications by racial or ethnic characteristics of the applicants and by type of financial institution, 1992

Racial or Ethnic Characteristics	Percent Denied			
	Depository Institution		Non-Depository Institutions	
	Home Purchase	Refinance	Home Purchase	Refinance
American Indian	23.0	18.4	29.8	16.9
Asian/Pacific Isl	15.4	16.9	11.0	14.9
Black	31.8	26.3	39.2	20.2
Hispanic	26.3	26.6	28.6	21.6
White	12.0	10.7	18.5	10.1
Source: 1992 Home Mortgage Disclosure Act Data.				

Q.2. Looking at both depository and non-depository lenders, is it possible to learn from the HMDA data how much FHA lending and non-FHA lending is going to minorities?

A.2. The 1992 HMDA data provide information on the volume of home purchase loans by type of loan and the racial or ethnic characteristics of the borrower. As shown in Table 2, in 1992 black and Hispanic homebuyers relied relatively more frequently on FHA-insured or VA-guaranteed mortgage loans to finance their home purchases than did white borrowers. For instance, among black homebuyers in 1992, 32 percent used FHA loans while among white homebuyers only 15 percent used FHA loans. These differences reflect a number of factors, including differences in the incomes and asset levels of the minority and white population of homebuyers. Information from HMDA data for 1990 and 1991 show a similar pattern.

Table 2. Home purchase loans by type of loan and racial or ethnic characteristics of borrowers, 1992.

Racial or Ethnic Group	Number of Loans and Percentage Distribution							
	Type of Home Purchase Loan							
	FHA		VA		Conventional		Total	
	No.	%	No.	%	No.	%	No.	%
American Indian	1,898	19.3	658	6.6	7,280	74.0	9,836	100
Asian/ Pacific Isl	6,752	8.8	1,770	2.3	68,416	88.9	76,938	100
Black	33,981	31.9	15,009	15.0	56,516	53.1	106,506	100
Hispanic	29,128	23.6	5,633	5.5	66,995	65.3	101,756	100
White	312,879	15.5	126,364	6.3	1,582,230	78.2	2,021,373	100
Source: 1992 Home Mortgage Disclosure Act Data.								

RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE FROM EUGENE LUDWIG

Dear Mr. Chairman:

I would like to thank you for the opportunity to testify at your recent committee hearing on the administration's fair lending enforcement efforts and the release of the 1992 Home Mortgage Disclosure Act data. Our responses to the follow-up questions in your letter of November 8, 1993, follow.

I share your commitment to ensuring that credit is available to all Americans on a fair and equal basis and look forward to working with you and your committee on fair lending and CRA initiatives.

Sincerely,

Eugene A. Ludwig
Comptroller of the Currency

Q.1. The President requested that the financial regulatory agencies work together to reform the method in which CRA is administered by January 1, 1994.

• What is the current status of this effort?

A.1. On December 8, 1993, Secretary Bentsen, the other financial regulators and I announced and released the proposed rulemaking. It was reviewed and approved for publication by the FDIC Board on December 9 and by the Federal Reserve Board on December 10. It is scheduled to be printed in the Federal Register on Tuesday, December 21, 1993. The proposed rulemaking will be out for public comment for a period of sixty (60) days. Following review, analysis and any necessary modifications, the final rulemaking process will be undertaken. Because of the critical need for a more performance-based CRA evaluation system, with less emphasis on documentation, the proposed rules project several major changes in emphasis, not the least of which relates to the 12 assessment factors. The current process of evaluation—the 12 assessment factors—will be substantially revised. We will focus instead on results in the

three areas the President selected for emphasis: lending in low- and moderate-income neighborhoods, services in those neighborhoods, and community development investments.

In our assessments we must respect the diversity found in various communities and among financial institutions. Therefore, the proposed rules streamline the examinations of small banks and thrifts, while still holding those institutions to their obligations to help meet credit needs in their entire communities. For institutions doing business in a number of separate geographic areas, we propose a market-by-market approach to documenting their efforts to help meet community needs across the range of their operations. Our goal is to avoid a one-size-fits-all approach to measuring CRA compliance.

Q.2. It has been reported that in your speech before the National Bankers Association, you suggested that CRA credit may be given to majority banks that work with minority banks.

- Would granting CRA credit for such activity alleviate the majority bank's other CRA responsibility?
- How much credit could a majority bank receive for doing this?

A.2. The CRA statute requires that we take account of a majority bank's investments in women and minority-owned institutions that are helping to meet the credit needs of their communities. We do so today and will do so in the future. However, while recognizing the role of such investments under the CRA, we do not plan to permit such investments to alleviate a majority bank's other CRA responsibilities.

In terms of how much credit a majority bank might receive for such activity, again, we have to look at the whole record of the bank for the period being evaluated in order to determine how much credit will be given for any particular activity. A determination will be made based on the circumstances of each particular case.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE FROM ANDREW HOVE, JR.

In your testimony you suggested that Congress should reform legislation so that pattern and practice violations referred to regulatory agencies by lending institutions, which had begun corrective measure, would not have to be referred to the Justice Department or HUD.

Q.1. Why should such lending institutions not be referred to the Justice Department?

A.1. We did not intend to suggest in our testimony that Congress draft legislation to provide that violations not be referred to the Justice Department or the Department of Housing and Urban Development. We believe that violations of law should be referred. However, we also believe that a change should be considered to allow for referrals on a discretionary basis by regulators of possible evidence of discouragement derived from the *pre-application, self-testing* activity of a financial institution, using testers posing as loan applicants, *if corrective measures have been taken* as verified by the regulatory agencies. We believe that encouraging wide use of pre-application testing would show considerable improvement in

minority application rates and prevention of discrimination. Our concern is that current statutes may discourage such improvement.

An institution's self-testing effort using individuals employed or contracted by the institution to pose as loan applicants is a means to identify discouragement of individuals from protected classes. While testers do not file a completed loan application, they experience the important first phase of the loan application process, including receipt of loan product information, counseling and an invitation to apply. Self-testing at the pre-application stage is an effective way for an institution to monitor the behavior of employees to assure that it is not discriminatory. The process itself provides a deterrent to such employee behavior and allows the institution to improve employee attitudes and lending expertise. It attempts to identify discouragement and other possible discrimination at the pre-application stage when a paper trail is not created and cannot be reviewed later. Self-testing of this type, when used to prevent discrimination, ultimately will benefit members of protected classes quickly and efficiently.

Q.2. Even if the lending institution is attempting to correct its policies, don't the current victims have a right to restitution?

A.2. Yes. However, the self-testing discussed in our testimony involves use of testers or individuals employed by the institution who pose as potential loan applicants at the pre-application stage. An application would not be submitted. The testers would pose as applicants. The test would only identify disparate treatment occurring during the test. If the test provided information that led to identification of victims, restitution to the victims should be considered in determining the appropriateness of a referral to the Justice Department.

Q.3. Do you think regulators have shown themselves worthy of increased discretion in such matters?

A.3. Yes. The examples of the proactive steps taken by the FDIC and other regulatory agencies to detect and prevent discrimination in the lending process cited in our testimony show that the agencies are worthy of such discretion. The regulatory agencies are equipped to determine whether or not corrective action has been taken and testing the corrected practice. Allowing regulatory discretion for referrals of evidence derived from a financial institution's self-testing effort at the pre-application stage will result in increased detection and prevention efforts by financial institutions and thereby help to eliminate lending discrimination.



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